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**Condensed Interim Financial Statements  
for the Half Year Ended June 30, 2019  
(Un-Audited)**



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# Company Information

## Board of Directors

Mr. Kalim-ur-Rahman  
Chairman

Mr. Adil Matcheswala  
Non-Executive Director

Mr. Ashraf Nawabi  
Non-Executive Director

Mr. G.M. Sikander  
Independent Non-Executive Director

Mr. Hassan Afzal  
Non-Executive Director

Mr. Munawar Alam Siddiqui  
Non-Executive Director

Ms. Nargis Ghaloo  
Independent Non-Executive Director

Mr. Basir Shamsie  
President & CEO

## Audit Committee

Ms. Nargis Ghaloo                      Chairperson

Mr. G.M. Sikander                      Member

Mr. Adil Matcheswala                  Member

Mr. Munawar Alam Siddiqui          Member

## Chief Financial Officer

Mr. Muhammad Yousuf Amanullah

## Company Secretary

Mr. Ashraf Shahzad

## Auditors

EY Ford Rhodes, Chartered Accountants  
(a Member firm of Ernst & Young Global Limited)

## Legal Advisors

Bawaney & Partners  
Haidermota BNR  
Liaquat Merchant Associates

## Share Registrar

Central Depository Company of Pakistan Limited  
CDC House, 99-B, Block 'B' S.M.C.H.S.,  
Main Shahra-e-Faisal, Karachi.

## Registered office

JS Bank Limited  
Shaheen Commercial Complex  
Dr. Ziauddin Ahmed Road  
P.O. Box 4847 Karachi-74200, Pakistan  
UAN: +92 21 111 JS Bank (572-265)  
0800-011-22  
www.jsbl.com

\*Mr. Suleman Lalani resigned as Director & Chairman of the Board of Directors of JS Bank limited w.e.f. June 13, 2019.

# Directors' Report To The Members

We are pleased to present the reviewed financial statements of JS Bank Limited ("JSBL") along with the reviewed consolidated financial statements of its subsidiaries JS Global Capital Limited and JS Investments Limited for the half year ended June 30, 2019.

## The Economy

As per the International Monetary Funds (IMF's) World Economic Outlook Update, global growth over the first six months of the 2019 remained subdued. The major global economic superpowers continue their trade war, with the United States further increasing tariffs on certain Chinese imports and China retaliating by raising tariffs on a subset of US imports.

For Pakistan, while the road ahead looks challenging, there are reasons for optimism as the incumbent government looks committed to wide-ranging reform agenda. With the IMF's Executive Board approving a USD 6 billion, 39-month extended arrangement under its Extended Fund Facility (EFF) for Pakistan, it is hoped that the funds will support the government's economic reform program. The arrival of the first tranche is expected to strengthen Pakistan's foreign exchange reserves as well as garner broader support from multilateral and bilateral creditors to meet Pakistan's future financing needs. As part of this, the government is keen on energy sector reforms to eliminate quasi-fiscal losses and encourage investment. The country also achieved higher FDI and increased remittances due to improved economic activities with inflows coming in higher than the set target of USD 21.2 billion for the year. Other measures such as allowing the currency to depreciate closer to more realistic levels have brought about a significant reduction in the Current Account Deficit (CAD), which is now 32 percent lower on a Year on Year (YoY) basis. Recent initiatives taken to broaden the tax net by taking a firm stance towards tax filing will hopefully lead to an increase in tax revenues during the next year. Moreover, reduction of subsidies and increase in utility prices will also reduce the expenditure burden and ultimately provide breathing space on the fiscal side.

The domestic economy is expected to continue slowing down with the economic growth rate standing at 2.4 percent during the current fiscal year, compared to 3.3 percent of GDP last year. The rupee has depreciated by at least 15 percent since January leading to higher food prices and inflation levels are hovering close to 9 percent. To combat this, the State Bank of Pakistan (SBP) revised its monetary stance during the quarter, increasing the benchmark policy rate by 150 basis points (bps) to 12.25 percent. Due to increased policy rate, the Large-Scale Manufacturing (LSM) sector witnessed a negative growth of 2 percent. It is expected that during the same time period, the fiscal deficit will stay stagnant at about 7.1-7.3 percent as the government tries its best to ensure a flexible, market-determined exchange rate to restore competitiveness, rebuild official reserves and provide a buffer against external shocks.

## Banking sector review

SBP continued its monetary tightening stance during the first half of 2019 (1HFY19). Higher interest rates continue to support the increasing trend in banking spreads, where weighted average spreads during the first 5 months of the year (5MFY19) registered an increase of 83 bps year-on-year (YoY), reaching 5.61 percent. The sector's spreads have been witnessing an upward trend during the past eight months, before which weighted average banking spreads had remained on a steady decline for almost seven years. On the deposit front, the banking sector witnessed a double-digit growth of 11 percent YoY as at June 30, 2019, reaching PKR 14,458 billion. During the same period, Advances depicted a similar growth rate of 10 percent YoY, reaching PKR 8,097 billion and maintaining the Advances-to-Deposit Ratio (ADR) for the industry at 56 percent. Nonetheless, Non-Performing Loans (NPLs) for the industry have begun to inch upwards recently. The sector's NPLs have marked a PKR 67 billion increase since June 30, 2018 standing at PKR 690 billion as at March 31, 2019.

Investments however, decreased by 7 percent YoY to PKR 7,624 billion as the sector witnessed investment maturities and relatively thin participation in government paper auctions during the period. Resultantly, the Investment-to-Deposit Ratio (IDR) slid down to 53 percent.

## Financial Performance

The Bank's deposits increased by 12.4%, to PKR 361,105.4 million on June 30, 2019 from PKR 321,413.2 million as of December 31, 2018. Overall, the Bank maintained its advances at a level equivalent to the previous calendar year while changing the portfolio mix towards the SME and Agricultural sectors.

During the period under review, a loss before tax of PKR 596.5 million (loss after tax of PKR 441.7 million) was incurred as compared to profit before tax of PKR 1,109.1 million (profit after tax of PKR 684.3 million) in the corresponding period last year. The diminished financial performance is mainly attributable to the following reasons:

- The Bank's core interest income grew due to enhanced focus on core businesses i.e. Retail and Institutional banking. This growth, however, was offset due to a legacy PIB portfolio of PKR 75.12 billion as of June 30, 2019 which carries a yield of 6.75% against current market yield of 13.2% for the same duration. The bulk of the portfolio will mature between December 2019 and March 2020 thereby easing the pressure on net interest income.
- In the six months ended June 30, 2019; the Bank's legacy portfolio of low yield PIBs decreased by PKR 17.8 billion resulting in a capital loss of PKR 334 million.
- A sharp decrease in equity prices at the Pakistan Stock Exchange (PSX) resulted in an impairment-net of PKR 218 million on the Bank's equity portfolio.
- Increase in provisioning to PKR 351.7 million primarily for limited industry specific customers due to changes in the commodity pricing cycle and sectoral supply and demand.

The breakup value per share of the Bank was PKR 12.20 with loss per share standing at PKR 0.36 in this period June 30, 2019.

## Consolidated Financial Statements

In the consolidated financial statements, a loss before tax of PKR 648.2 million (loss after tax of 574.6 million) was incurred for the half year ended June 30, 2019 as compared to profit before tax of PKR 1,216.62 million (profit after tax of PKR 723.98 million) in the corresponding period last year. The loss per share is PKR 0.42 for the period under review.

## Business Overview

The Bank's strategy is based on an ongoing process of identifying and fulfilling customer needs through innovative products, strong alliances and automation of service delivery. Customer accessibility was further strengthened through an expansion in the branch network, digital channels and branchless banking agents to provide customers with an efficient and satisfying banking experience. JS Bank now operates 345 branches across 172 cities including one overseas wholesale banking branch in Manama, Bahrain.

On the assets side, the Bank continued its proactive strategy to enhance its exposure in advances, with a special emphasis on small and medium enterprise (SME) lending and financing renewable energy projects. The Bank's product menu was further increased for meeting customer wants and needs, while simultaneously ensuring all the risk parameters are in-line for prudent expansion.

The Bank is making concerted efforts to optimize the revenue mix between mark-up and fee-based income. In addition to growing traditional fee income streams, the Bank has increased focus on cross selling various fee-based products to existing and new customers to further increase our customer base. There has been an annualized improvement of 29.1% in the export business handled by the Bank during IHFY19. In the light of recent trends in the banking industry, the Bank has renewed its focus on Operational Risk and Compliance especially in the areas of AML/KYC/CDD and other requirements of FATF regulations.

## Recognition

JS Bank stands today as one of Pakistan's fastest growing banks. Our products are leaders in the SME, consumer finance, insurance solutions and digital banking space. We have been recognized for our commitment to excellence on a national and international level. The prestigious accolades that we received in the year 2019 included the:

- Asiamoney Award for 'Best Bank for SMEs',
- Asian Banking and Finance Award for Pakistan's Best SME Bank, Best Mid-sized Retail Bank and Best Consumer Finance Product,
- DIGI Award for Best Payment Technology/Solution Provider

## Credit Ratings

The Pakistan Credit Rating Agency Limited (PACRA) has assigned to the Bank a long-term rating of "AA-" (Double A Minus), and a short-term rating of "A1+" (A One Plus) which is the highest possible for this category.

## Acknowledgments

On behalf of JS Bank, we would like to express our gratitude to our customers and stakeholders for their patronage and support. We would also like to thank the Ministry of Finance, the State Bank of Pakistan, the Securities & Exchange Commission of Pakistan and other regulatory authorities for their guidance and support to our Bank. Finally, we extend our appreciation to internal colleagues for their ongoing efforts and persistent commitment towards driving the Bank forward to new heights of progress and prosperity, working together as a winning team.

On behalf of the Board

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Basir Shamsie  
President & CEO

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Kalim-ur-Rahman  
Chairman

Karachi: August 27, 2019

● پاکستان میں بہترین SME بینک، بہترین درمیانے درجہ کارٹیل بینک اور بہترین کنزیومر فنانس پروڈکٹ میں الیمین بینکنگ اینڈ فنانس ایوارڈ۔

● بہترین ادائیگی کی ٹیکنالوجی/اصل فراہم کرنے میں ڈی.جی ایوارڈ۔

### کریڈٹ ریٹنگ

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے بینک کو 'AA' (ڈبل اے مائنس) کی طویل المدتی ریٹنگ اور سب سے بہتر ممکنہ قلیل المدتی ریٹنگ میں 'A1+' (اے ون پلس) تفویض کی ہے۔

### اعتراف

جے ایس بینک کی جانب سے ہم اپنے صارفین اور اسٹیک ہولڈرز کا ان کے تعاون پر دل سے شکر گزار ہیں۔ ہم منسٹری آف فنانس، اسٹیٹ بینک آف پاکستان، سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور دیگر ریگولیٹری اداروں کا بینک کو تعاون فراہم کرنے کیلئے بھی ممنون ہیں۔ آخر میں ہم اپنے ساتھیوں اور جانفشانی کے ساتھ بینک کو ترقی، خوشحالی اور کامیابی کی نئی بلندیوں کی طرف گامزن کرنے کیلئے ایک فاتح ٹیم کے طور پر کام کرنے والے ملازمین کا ان کی انتھک محنت پر بھی شکر یہ ادا کرنا چاہیں گے۔

منجانب بورڈ،

کلیم الرحمن

چیئرمین

باسمعی

پریزیڈنٹ اور سی ای او

کراچی: 27 اگست 2019



اثاثوں کے حوالے سے بینک نے ایڈوانسز میں اضافہ کیلئے حکمت عملی جاری رکھی ہوئی ہے، جس میں چھوٹے اور درمیانے درجے کی انٹرپرائزز (SME) کو قرض دینے اور قابل تجدید توانائی کے منصوبوں میں سرمایہ کاری پر خصوصی توجہ پر زور دیا گیا ہے۔ بینک کے پروڈکٹ مینو میں صارفین کی خواہشات اور ضروریات کو مد نظر رکھتے ہوئے مزید اضافہ کیا گیا، جبکہ اسی دوران یہ بھی یقینی بنایا کہ خطرے کے تمام پیرامیٹرز دائرہ نشاندہ تو سبج کی راہ پر استوار ہوں۔

بینک مارک اپ اور فیس کی مد میں حاصل ہونے والی آمدنی کے اضافے کیلئے مسلسل کوشاں ہے۔ بینک کی حسب معمول فیس کی رواں آمدنی میں اضافے کیلئے بینک نے اپنے موجودہ اور نئے کسٹمرز کو فیس کی بنیاد پر متعدد پروڈکٹس کی فروخت پر اپنی توجہ مرکوز رکھی ہے۔ مالی سال 2019 کی پہلی ششماہی (1HFY19) کے دوران بینک کی جانب سے سنبھالے گئے برآمدی کاروبار میں سالانہ 29.1 فیصد اضافہ ہوا ہے۔ بینکنگ صنعت میں حالیہ رجحانات کی روشنی میں، بینک نے عملی طور پر AML/KYC/CDD اور FATF کی دیگر ضروریات کے ضوابط کے شعبوں میں آپریشنل رسک اور کمپلائنس پر اپنی توجہ مرکوز کر دی ہے۔

## پہچان

JS بینک آج پاکستان کے سب سے تیزی سے ترقی کرنے والے بینکوں میں سے ایک ہے۔ ہماری مصنوعات SME، کنزیومر فنانس، انشورنس سلوشنز اور ڈیجیٹل بینکنگ کی فضا میں رہنمائی کر رہی ہیں۔

ہمیں قومی اور بین الاقوامی سطح پر برتری کیلئے پرعزم ادارے کے طور پر پہچانا جاتا ہے۔ سال 2019 میں حاصل ہونے والے پروکار ایوارڈ میں درج ذیل شامل ہیں:

● اییشیائی ایوارڈ برائے 'SMEs کیلئے بہترین بینک'

● 30 جون 2019 کے اختتام ہونے والی ششماہی میں بینک کے لیگاسی پورٹ فولیو سے PIB پیداوار میں 17.8 بلین روپے کی کمی کے نتیجے میں مجموعی سرمائے میں 334 ملین روپے کا نقصان ہوا۔

● پاکستان اسٹاک ایکسچینج (PSX) میں مالیت میں تیزی سے کمی ہوئی جس کے نتیجے میں بینک کی مالیت کا پورٹ فولیو 218 ملین روپے گھٹ گیا۔

● اجناس کی قیمتوں میں تبدیلی کے طریقہ کار اور شعبہ جاتی سپلائی اور طلب میں تبدیلی کی وجہ سے بنیادی طور پر محدود صنعت کے مخصوص صارفین کیلئے 351.7 ملین روپے کی فراہمی میں اضافہ ہوا۔

30 جون 2019 تک بینک کے حصص کی بریک اپ ویلیو 12.20 روپے فی شیئر تھی جس میں اسی مدت کے دوران فی حصص کا نقصان 0.36 روپے ہوا۔

### مستحکم مالیاتی تفصیلات

مستحکم مالیاتی تفصیلات میں، 30 جون 2019 کو ختم ہونے والی ششماہی پر قبل از ٹیکس نقصان 648.2 ملین روپے (بعد از ٹیکس نقصان 574.6 ملین روپے) حاصل کیا جو گزشتہ سال اسی مدت میں قبل از ٹیکس منافع 1,216.62 ملین روپے (بعد از ٹیکس منافع 723.98 ملین روپے) تھا۔ زیر جائزہ اسی مدت کے دوران فی حصص نقصان 0.42 روپے فی شیئر رہا۔

### کاروباری جائزہ

جدید پروڈکٹس، اشتراک اور خود کار ڈیجیٹل سروس کے ذریعے کسٹمرز کی ضروریات کو پہچاننا اور انہیں پورا کرنا بینک کی حکمت عملی کی بنیاد ہے۔ کسٹمر کو بینکنگ کا موثر اور اطمینان بخش تجربہ فراہم کرنے کیلئے برانچ نیٹ ورک میں اضافے، ڈیجیٹل چینلز اور برانچ لیس بینکنگ ایجنٹس کے ذریعے کسٹمر کی رسائی کو مزید آسان اور بہتر بنایا گیا۔ JS بینک کی اب 172 شہروں میں 345 برانچیں ہیں جس میں ایک بیرون ملک ہول سیل بینکنگ برانچ مانامہ، بحرین کی بھی شامل ہے۔

ڈبل ڈیجٹ اضافہ سے 14,458 بلین روپے تک پہنچ گیا۔ اسی عرصہ کے دوران ایڈوانسز میں نسبتاً سال بسال 10 فیصد زیادہ اضافے سے 8,097 بلین روپے پہنچ گیا جس سے صنعت کا ایڈوانس ٹو ڈیپازٹ رلیٹو (ADR) 56 فیصد پر آ گیا۔ اس کے باوجود، انڈسٹری کے نان پرفارمنگ لونز (NPLs) میں بھی حالیہ عرصہ میں کچھ اضافہ ہوا۔ اس شعبہ کے NPLs میں 30 جون 2019 سے 67 بلین روپے کا اضافہ ہوا، جو 31 مارچ 2019 تک 690 بلین روپے تھا۔ تاہم سرمایہ کاری میں سال بسال 7 فیصد کمی سے 7,624 بلین روپے رہا اس عرصہ کے دوران شعبہ نے سرمایہ کاری کی میچورٹی اور سرکاری سپر نیلامی میں نسبتاً کم شمولیت رہی۔ نتیجتاً، گزشتہ سال انویسٹمنٹ ٹو ڈیپازٹ رلیٹو (IDR) کم ہو کر 53 فیصد ہو گیا۔

## مالی کارکردگی

بینک کے 30 جون 2019 پر ڈیپازٹس میں 12.4 فیصد اضافہ ہوا جو 31 دسمبر 2018 سے 321,413.2 بلین روپے سے 361,105.4 بلین روپے ہو گئے۔ مجموعی طور پر ایس ایم ای (SME) اور زرعی شعبوں کی طرف پورٹ فولیو کو تبدیل کرتے ہوئے بینک نے گزشتہ کیلنڈر سال کے مطابق اپنی پیشرفت برقرار رکھی۔

زیر جائزہ مدت کے دوران بینک نے قبل از ٹیکس نقصان 596.5 بلین روپے (بعد از ٹیکس گھٹا 441.7 بلین روپے رہا) حاصل کیا جو گزشتہ سال اسی مدت میں قبل از ٹیکس منافع 1,109.1 بلین روپے (بعد از ٹیکس منافع 684.3 بلین روپے تھا) تھا۔ مالی کارکردگی میں گھٹانے کی بنیادی طور پر درج ذیل وجوہات ہیں:

- بینک کی انٹرسٹ آمدنی بنیادی کاروبار یعنی ریٹیل اور ادارہ جاتی بینکنگ پر توجہ مرکوز کرنے کے باعث بڑھا۔ تاہم یہ نمونہ 30 جون 2019 تک 75.12 بلین روپے کے پاکستان انویسٹمنٹ بانڈز (PIB) پورٹ فولیو کے متبادل ہوئی، جس کی 6.75 فیصد کی پیداوار اسی مدت کے مقابلہ 13.2 فیصد ہے۔ پورٹ فولیو کا زیادہ تر حصہ دسمبر 2019 اور مارچ 2020 کے دوران میچور ہوگا جس سے نیٹ انٹرسٹ کی آمدنی پر دباؤ مزید کم ہوگا۔

(CAD) میں نمایاں کمی واقع ہوئی، جو سال بسال (YoY) کی بنیاد پر 32 فیصد کم ہوا۔ ٹیکس جمع کروانے کی طرف ٹھوس موقف اختیار کرتے ہوئے ٹیکس نیٹ کو وسیع کرنے کے حالیہ اقدامات سے امید کی جا رہی ہے کہ آئندہ سال کے دوران ٹیکس محصولات میں اضافہ ہوگا۔ مزید یہ کہ سبسڈی میں کمی اور پمپنگ کی قیمتوں میں اضافہ سے اخراجات کے بوجھ میں بھی کمی آئے گی اور بلاخر مالی معاملات میں وسعت ملے گی۔

توقع کی جا رہی ہے کہ رواں مالی سال کے دوران معاشی نمو کی شرح گزشتہ سال 3.3 فیصد GDP کے مقابلہ 2.4 فیصد رہی، اس کے ساتھ گھریلو معیشت سست روی کا شکار رہے گی۔ جنوری سے روپیہ میں کم از کم 15 فیصد فرسودگی ریکارڈ کی گئی ہے جس کی وجہ سے ایشیائی خوردونوش کی قیمتیں اور افراط زر کی سطح 9 فیصد کے قریب پہنچ رہی ہے۔ اس کا مقابلہ کرنے کیلئے اسٹیٹ بینک آف پاکستان (ایس بی پی) نے سہ ماہی کے دوران اپنی مانیٹری موقف پر ترمیم کی، جس سے بیچ مارک پالیسی کی شرح میں 150 بیس پوائنٹس (bps) کا اضافہ کر کے 12.25 فیصد کر دیا گیا۔ پالیسی کی شرح میں اضافہ کی وجہ سے، بڑے پیمانے پر مینوفیکچرنگ (LSM) کے شعبہ میں 2 فیصد کی منفی نمو دکھی گئی۔ توقع کی جا رہی ہے کہ اسی مدت کے دوران مالی خسارہ تقریباً 7.1 سے 7.3 فیصد پر مستحکم رہے گا کیونکہ حکومت مسابقت کی بحالی، بیرونی مشکلات سے نبرد آزما ہونے کیلئے سرکاری ذخائر بڑھانے اور مارکیٹ کے مطابق تبادلے کی شرح کی لچک کو یقینی بنانے کی پوری کوشش کر رہی ہے۔

### شعبہ بینکاری کا جائزہ

اسٹیٹ بینک (SBP) نے مالی سال 2019 کی پہلی ششماہی (1HFY19) میں اپنی زرعی پالیسی کو سخت رکھنے کا سلسلہ جاری رکھا۔ اضافی شرح سود سے بینکنگ کے پھیلاؤ کا رجحان بڑھا ہے، جہاں سال کے پہلے 5 ماہ (5MFY19) کے دوران سال بسال (YoY) میں 83 بیس پوائنٹس کا اضافہ ہوا، جو 5.61 فیصد تک پہنچ گیا۔ اس شعبہ میں گزشتہ 8 ماہ سے اضافے کا رجحان دیکھا جا رہا ہے، اس سے قبل تقریباً سات سال سے اوسط بینکنگ کا پھیلاؤ مسلسل گراؤ کا شکار رہا۔ ڈیپازٹ کے ضمن میں بینکنگ شعبہ نے 30 جون 2019 تک سال بسال 11 فیصد

## ڈائریکٹرز رپورٹ

ہم انتہائی مسرت کے ساتھ JS بینک لمیٹڈ ("جے ایس بی ایل") کے مالیاتی بیانات کا جائزہ بشمول اس کی ذیلی تنظیموں JS گلوبل کیپیٹل لمیٹڈ اور JS انویسٹمنٹ لمیٹڈ کے 30 جون 2019 کو ختم ہونے والے ششماہی کے مستحکم مالی بیانات کا جائزہ پیش کر رہے ہیں۔

### معیشت

بین الاقوامی مالیاتی فنڈز (IMF) کے عالمی معاشی آؤٹ لک اپڈیٹ کے مطابق 2019 کے ابتدائی 6 ماہ میں عالمی شرح نمو کم رہا جو تاحال دباؤ کا شکار ہے۔ بڑی عالمی معاشی سپر پاور اپنی تجارتی جنگ جاری رکھے ہوئے ہیں، امریکہ کی جانب سے چین کی مخصوص درآمدات پر ٹیئرف میں اضافہ کیا گیا اور چین نے رد عمل ظاہر کرتے ہوئے بیشتر امریکی مصنوعات کی درآمدات پر محصولات بڑھادیں۔

پاکستان کیلئے اگرچہ آئندہ کی راہ مشکل گزار نظر آرہی تھی، لیکن امید کی کچھ کرن موجود تھی کیونکہ حکومت کا موجودہ اصلاحاتی عمل کے وسیع و عریض ایجنڈے پر کاربند نظر آرہی ہے۔ آئی ایم ایف کے ایگزیکٹو بورڈ نے پاکستان کیلئے توسیعی فنڈسہولیت (ای ایف ایف) کے تحت 6 ارب امریکی ڈالر کی منظوری دیتے ہوئے 39 ماہ کی توسیع کا انتظام کیا، امید کی جارہی ہے کہ اس فنڈس حکومت کے معاشی اصلاحاتی پروگرام میں معاونت ملے گی۔ توقع ہے کہ پہلی قسط کی آمد سے پاکستان کے زرمبادلہ کے ذخائر کو تقویت ملے گی اور ساتھ ہی پاکستان کی مستقبل کی مالی ضروریات کو پورا کرنے کیلئے کثیرالجہتی اور دو طرفہ قرض دہندگان کو وسیع تر کرنے میں حمایت حاصل ہوگی۔ اس میں شامل حکومت توانائی کے شعبے میں ہونے والی اصلاحات متضمنی ہے تاکہ بیمہ مالی نقصانات کو ختم کیا جاسکے اور سرمایہ کاری کی حوصلہ افزائی کی جاسکے۔ اس سال ملک کے 21.2 بلین امریکی ڈالر کے طے شدہ ہدف سے زیادہ آمدنی کے ساتھ معاشی سرگرمیوں میں بہتری کی وجہ سے ملک میں اضافی غیر ملکی براہ راست سرمایہ کاری (FDI) اور ترسیلات زر میں تیزی ہوئی۔ دیگر اقدامات جیسے کہ کرنسی کو فرسودگی کی حقیقی سطح تک لانے کی اجازت دینے سے کرنٹ اکاؤنٹ خسارہ



EY Ford Rhodes  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
P.O. Box 15541, Karachi 75530  
Pakistan

UAN: +9221 111 11 39 37 (EYFR)  
Tel: +9221 3565 0007-11  
Fax: +9221 3568 1965  
ey.khi@pk.ey.com  
ey.com/pk

## INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF JS BANK LIMITED

REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

### *Introduction*

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of **JS Bank Limited** (the Bank) as at **30 June 2019** and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, condensed interim cash flow statement and notes to the accounts for the six-months' period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the three months ended 30 June 2019 and 30 June 2018 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended 30 June 2019.

### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the audit resulting in this independent auditor's report is Shaikh Ahmed Salman.

Chartered Accountants

Karachi

Date: 27 August 2019

A member firm of Ernst & Young Global Limited

# Unconsolidated Condensed Interim Statement of Financial Position

As at June 30, 2019

		(Un-audited) June 30, 2019	(Audited) December 31, 2018
	Note	----- Rupees in '000 -----	
<b>ASSETS</b>			
Cash and balances with treasury banks	6	34,741,721	32,110,840
Balances with other banks	7	2,315,468	968,575
Lendings to financial institutions	8	4,598,062	1,937,347
Investments	9	136,623,291	148,689,974
Advances	10	250,020,561	251,990,918
Fixed assets	11	11,577,592	6,245,328
Intangible assets	12	2,128,289	2,169,877
Deferred tax assets - net	13	471,028	287,062
Other assets	14	13,626,620	12,354,155
		<b>456,102,632</b>	<b>456,754,076</b>
<b>LIABILITIES</b>			
Bills payable	15	3,913,734	3,519,924
Borrowings	16	52,588,855	96,558,663
Deposits and other accounts	17	361,105,376	321,413,263
Liabilities against assets subject to finance lease		-	-
Subordinated debt	18	7,495,800	7,496,800
Deferred tax liabilities		-	-
Other liabilities	19	15,172,925	12,148,400
		<b>440,276,690</b>	<b>441,137,050</b>
<b>NET ASSETS</b>		<b>15,825,942</b>	<b>15,617,026</b>
<b>REPRESENTED BY</b>			
Share capital		10,119,242	10,119,242
Reserves		1,764,385	1,712,171
Deficit on revaluation of assets - net of tax	20	(423,355)	(1,035,589)
Unappropriated profit		4,365,670	4,821,202
		<b>15,825,942</b>	<b>15,617,026</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	21		

The annexed notes from 1 to 39 form an integral part of these unconsolidated condensed interim financial statements.

President and  
Chief Executive Officer

Chief Financial  
Officer

Director

Director

Chairman

# Unconsolidated Condensed Interim Profit and Loss Account (Un-audited)

For the half year ended June 30, 2019

		Quarter ended		Half year ended	
		June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	Note	----- Rupees in '000 -----			
Mark-up / return / interest earned	23	9,721,626	7,141,446	19,060,161	14,010,364
Mark-up / return / interest expensed	24	8,074,910	4,841,895	15,348,889	9,632,196
Net mark-up / interest income		1,646,716	2,299,551	3,711,272	4,378,168
<b>NON MARK-UP / INTEREST INCOME</b>					
Fee and commission income	25	692,792	594,711	1,345,061	1,451,874
Dividend income		46,886	57,501	47,160	65,031
Foreign exchange (loss) / income		(102,580)	156,763	183,870	240,012
Income from derivatives - net		428,589	23,797	296,626	90,246
Loss on securities - net	26	(307,169)	(61,205)	(369,539)	(43,266)
Other income - net	27	44,672	16,084	68,171	51,820
Total non mark-up / interest income		803,190	787,651	1,571,349	1,855,717
Total Income		2,449,906	3,087,202	5,282,621	6,233,885
<b>NON MARK-UP / INTEREST EXPENSES</b>					
Operating expenses	28	2,736,196	2,357,472	5,285,235	4,944,093
Workers' Welfare Fund	29	(437)	11,360	-	22,183
Other charges	30	193	123	248	532
Total non-mark-up / interest expenses		2,735,952	2,368,955	5,285,483	4,966,808
(Loss) / profit before provisions		(286,046)	718,247	(2,862)	1,267,077
Provisions and write offs - net	31	365,136	150,270	593,653	157,932
Extraordinary / unusual items		-	-	-	-
<b>(LOSS) / PROFIT BEFORE TAXATION</b>		<b>(651,182)</b>	567,977	<b>(596,515)</b>	1,109,145
Taxation	32	176,100	(235,924)	154,838	(424,850)
<b>(LOSS) / PROFIT AFTER TAXATION</b>		<b>(475,082)</b>	332,053	<b>(441,677)</b>	684,295
----- Rupee -----					
<b>Basic and diluted (loss) / earnings per share</b>	33	<b>(0.37)</b>	0.26	<b>(0.36)</b>	0.41

The annexed notes from 1 to 39 form an integral part of these unconsolidated condensed interim financial statements.

President and  
Chief Executive Officer

Chief Financial  
Officer

Director

Director

Chairman



# Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-audited)

For the half year ended June 30, 2019

	Quarter ended		Half year ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
----- Rupees in '000 -----				
	(Restated)		(Restated)	
(Loss) / profit after taxation for the period	(475,082)	332,053	(441,677)	684,295
Other comprehensive (loss) / income				
Items that may be reclassified to profit and loss account in subsequent periods:				
Effect of translation of net investment in foreign branch	48,209	18,670	52,214	31,298
Movement in surplus / (deficit) on revaluation of investments - net of tax	97,812 (17,748)	(670,946) 55,619	649,650 (27,107)	(912,617) 55,619
Movement in general provision under IFRS 9 - net of tax	80,064	(615,327)	622,543	(856,998)
	128,273	(596,657)	674,757	(825,700)
Items that will not be reclassified to profit and loss account in subsequent periods:				
Movement in surplus on revaluation of operating fixed assets - net of tax	-	384,273	-	384,273
<b>Total comprehensive (loss) / income</b>	<b>(346,809)</b>	<b>119,669</b>	<b>233,080</b>	<b>242,868</b>

The annexed notes from 1 to 39 form an integral part of these unconsolidated condensed interim financial statements.

\_\_\_\_\_  
President and  
Chief Executive Officer

\_\_\_\_\_  
Chief Financial  
Officer

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

\_\_\_\_\_  
Chairman

# Unconsolidated Condensed Interim Statement of Changes in Equity

For the half year ended June 30, 2019

	Reserves				Surplus/(Deficit) on revaluation of			Unappropriated profit	Total
	Share capital	Preference shares	Statutory reserve*	Exchange translation reserve	Investments	Fixed Assets	Non Banking Assets		
	Rupees in '000								
<b>Balance as at December 31, 2017 - audited</b>	8,619,242	1,500,000	1,528,769	12,219	(78,310)	473,539	95,050	4,518,820	16,669,329
<b>Total comprehensive income for the half year ended June 30, 2018 - un-audited</b>									
Profit after taxation	-	-	-	-	-	-	-	684,295	684,295
Other comprehensive income / (loss) - net of tax	-	-	-	31,298	(856,998)	384,273	-	-	(441,427)
Transfer to statutory reserve	-	-	136,859	-	-	-	-	(136,859)	-
<b>Transfer from surplus on revaluation of assets to unappropriated profit - net of tax</b>									
Fixed assets	-	-	-	-	-	(4,714)	-	4,714	-
Non-banking assets acquired in satisfaction of claims	-	-	-	-	-	-	(107)	107	-
<b>Transaction with owners recorded directly in equity</b>									
Issuance of ordinary shares on conversion of preference shares during the period	2,250,000	-	-	-	-	-	-	-	2,250,000
Discount on issue of ordinary shares during the period	(750,000)	-	-	-	-	-	-	-	(750,000)
	1,500,000	-	-	-	-	-	-	-	1,500,000
Preference shares cancelled on conversion into ordinary shares during the period	-	(1,500,000)	-	-	-	-	-	-	(1,500,000)
Preference dividend for the year ended December 31, 2017 @ 12% p.a	-	-	-	-	-	-	-	(180,000)	(180,000)
<b>Balance as at June 30, 2018 - un-audited - restated</b>	10,119,242	-	1,666,628	43,517	(935,308)	853,098	94,943	4,891,077	16,732,197
<b>Total comprehensive income for the half year ended December 31, 2018</b>									
Loss after taxation	-	-	-	-	-	-	-	(121,957)	(121,957)
Other comprehensive income / (loss) - net of tax	-	-	-	27,417	(1,244,805)	208,670	(2,086)	17,590	(933,214)
Transfer to statutory reserve	-	-	(24,391)	27,417	(1,244,805)	208,670	(2,086)	(104,367)	(1,115,171)
	-	-	-	-	-	-	-	24,391	-
<b>Transfer from surplus on revaluation of assets to unappropriated profit - net of tax</b>									
Fixed assets	-	-	-	-	-	(10,102)	-	10,102	-
Non-banking assets acquired in satisfaction of claims	-	-	-	-	-	-	1	(1)	-
<b>Balance as at December 31, 2018 - audited</b>	10,119,242	-	1,641,237	70,934	(2,180,113)	1,051,666	92,858	4,821,202	15,617,026
<b>Total comprehensive income for the half year ended June 30, 2019 - unaudited</b>									
Loss after taxation	-	-	-	-	-	-	-	(441,677)	(441,677)
Other comprehensive income - net of tax	-	-	-	52,214	622,543	-	-	-	674,757
	-	-	-	52,214	622,543	-	-	(441,677)	233,080
<b>Transfer from surplus on revaluation of assets to unappropriated profit - net of tax</b>									
Fixed assets	-	-	-	-	-	(10,268)	-	10,268	-
Non-banking assets acquired in satisfaction of claims	-	-	-	-	-	-	(41)	41	-
<b>Transaction with owners recorded directly in equity</b>									
Preference dividend for the year ended December 31, 2018 @ 12% p.a	-	-	-	-	-	-	-	(24,164)	(24,164)
<b>Balance as at June 30, 2019 - un-audited</b>	<u>10,119,242</u>	<u>-</u>	<u>1,641,237</u>	<u>123,148</u>	<u>(1,557,570)</u>	<u>1,041,398</u>	<u>92,817</u>	<u>4,365,670</u>	<u>15,825,942</u>

\* This represents reserve created under Section 21(i)(a) of the Banking Companies Ordinance, 1962.

The annexed notes from 1 to 39 form an integral part of these unconsolidated condensed interim financial statements.

President and  
Chief Executive Officer

Chief Financial  
Officer

Director

Director

Chairman

# Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)

For the half year ended June 30, 2019

	June 30, 2019	June 30, 2018 (Restated)
Note	----- Rupees in '000 -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss) / profit before taxation	(596,515)	1,109,145
Less: Dividend income	(47,160)	(65,031)
	<b>(643,675)</b>	<b>1,044,114</b>
<b>Adjustments</b>		
Depreciation	28 379,562	329,237
Depreciation on non-banking assets	28 234	650
Depreciation - Right of Use Assets	372,542	-
Amortisation of intangible assets	28 43,661	33,641
Mark-up / return / interest expensed on lease liability against right-of-use assets	229,063	-
Charge for defined benefit plan	65,939	84,109
Unrealised loss on revaluation of investments classified as held-for-trading - net	26 1,042	891
Provisions and write offs - net	31 593,653	157,932
Provision for Workers' Welfare Fund	-	22,183
Unrealised gain on revaluation of derivative instruments - net	(500,998)	(152,072)
Gain on sale of fixed assets - net	27 (68,171)	(51,820)
	<b>1,116,527</b>	<b>424,751</b>
	<b>472,852</b>	<b>1,468,865</b>
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	(2,657,548)	1,459,376
Held-for-trading securities	15,218,378	3,798,298
Advances	1,539,654	(44,476,815)
Other assets (excluding advance taxation)	(1,095,333)	(1,613,284)
	<b>13,005,151</b>	<b>(40,832,425)</b>
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	393,810	575,328
Borrowings	(45,148,134)	3,124,520
Deposits	39,692,113	20,876,453
Other liabilities	(1,246,318)	2,121,409
	<b>(6,308,529)</b>	<b>26,697,710</b>
Gratuity paid	7,169,474	(12,665,850)
Mark-up / return / interest expensed on lease liability against right-of-use assets paid	(229,063)	-
Income tax paid	(317,527)	(1,063,981)
<b>Net cash flows from / (used in) operating activities</b>	<b>6,622,884</b>	<b>(13,904,949)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available-for-sale securities	(10,444,375)	18,750,707
Net investments in held-to-maturity securities	8,093,341	209,556
Investment in associated companies	(21,239)	(180,000)
Dividend income received	47,160	49,385
Investments in fixed assets	(1,483,036)	(678,025)
Investments in intangible assets	(2,073)	(197,757)
Proceeds from sale of fixed assets	103,658	76,192
Effect of translation of net investment in foreign branch	52,214	31,298
<b>Net cash (used in) / flows from investing activities</b>	<b>(3,654,350)</b>	<b>18,061,356</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid on preference shares	(24,164)	(180,000)
Payment of lease liability against right of use assets	(144,017)	-
Sub-ordinated loans	(1,000)	(1,000)
<b>Net cash used in financing activities</b>	<b>(169,181)</b>	<b>(181,000)</b>
<b>Increase in cash and cash equivalents</b>	<b>2,799,353</b>	<b>3,975,407</b>
Cash and cash equivalents at beginning of the period	<b>32,577,913</b>	<b>18,169,058</b>
<b>Cash and cash equivalents at end of the period</b>	<b><u>35,377,266</u></b>	<b><u>22,144,465</u></b>

The annexed notes from 1 to 39 form an integral part of these unconsolidated condensed interim financial statements.

President and  
Chief Executive Officer

Chief Financial  
Officer

Director

Director

Chairman

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

## 1. STATUS AND NATURE OF BUSINESS

- 1.1 JS Bank Limited (the Bank / JSBL) is a banking company incorporated in Pakistan as a public limited company on March 15, 2006. The Bank is a subsidiary company of Jahangir Siddiqui & Co. Ltd. (JSCL) and its shares are listed on Pakistan Stock Exchange Limited (PSX). The Bank commenced its banking operations on December 30, 2006 and its registered office is situated at Shaheen Commercial Complex, Dr. Ziauddin Ahmed Road, Karachi.

The Bank is a scheduled bank, engaged in commercial banking and related services as described in the Banking Companies Ordinance, 1962 and is operating through 344 (December 31, 2018: 344) branches / sub-branches in Pakistan and one wholesale banking branch in Bahrain (December 31, 2018: one). The Pakistan Credit Rating Agency Limited (PACRA) has assigned the long-term entity rating of the Bank to AA- (Double A Minus) whereas short-term rating is maintained at 'A1+' (A One Plus), which is the highest possible short-term rating. The ratings denote a very low expectation of credit risk and indicate very strong capacity for timely payment of financial commitments.

- 1.2 Jahangir Siddiqui Investment Bank Limited, JSIBL, (formerly Citicorp Investment Bank Limited) which was acquired by JSCL on February 01, 1999), and its holding company, JSCL, entered into a Framework Agreement with American Express Bank Limited, New York (AMEX) on November 10, 2005 for acquisition of its American Express Bank Limited - Pakistan Branches, (AEBL). Consequently, a new banking company, JSBL was incorporated on March 15, 2006 and a restricted Banking License was issued by the State Bank of Pakistan (SBP) on May 23, 2006.

A Transfer Agreement was executed on June 24, 2006 between JSIBL and JSBL for the transfer of entire business and undertaking of JSIBL to JSBL and a separate Transfer Agreement was also executed on June 24, 2006, between AMEX and JSBL for the transfer of AEBL's commercial banking business in Pakistan with all assets and liabilities (other than certain excluded assets and liabilities) (AEBL business). The shareholders of JSIBL and JSBL in their respective extra ordinary general meetings held on July 31, 2006 approved a Scheme of Amalgamation (the Scheme) under Section 48 of the Banking Companies Ordinance, 1962. The Scheme was initially approved by the Securities and Exchange Commission of Pakistan vide its letter No. SC/NBFC(J)-R/JSIBL/2006/517 dated September 28, 2006. Subsequently, the Scheme was sanctioned by the SBP vide its order dated December 02, 2006 and, in accordance therewith, the effective date of amalgamation was fixed at December 30, 2006.

## 2. BASIS OF PRESENTATION

### 2.1 Statement Of Compliance

- 2.1.1 These unconsolidated condensed interim financial statements have been prepared in accordance with approved accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962;

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

- Provisions of and directives issued under the Companies Act, 2017; and
- Directives issued by the State Bank Pakistan (SBP) and the Securities & Exchange Commission of Pakistan (SECP) from time to time.

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017, or the directives issued by the SBP and the SECP differ with the requirements of IFRS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

- 2.1.2** The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for banking companies vide BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' on banks vide its notification S.R.O 411(I)/2008 dated April 28, 2008. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated condensed interim financial statements.
- 2.1.3** IFRS10 "Consolidated Financial Statements" was made applicable from period beginning on or after January 01, 2015 vide S.R.O 633(I)/2014 dated July 10, 2014 by SECP. However, SECP has directed that the requirements of consolidation under section 228 of the Companies Act, 2017 and IFRS-10 "Consolidated Financial Statements" are not applicable in case of investment by companies in mutual funds established under trust structure, through S.R.O 56(I) /2016 dated January 28, 2016. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated condensed interim financial statements.
- 2.2** These condensed interim financial statements represents separate financial statements of the Bank in which the investments in subsidiaries and associates are stated at cost are accounted for on the basis of direct equity interest rather than on the basis of reported results.
- 2.3** These condensed interim financial statements are presented in Pakistani Rupee, which is the Bank's functional and presentation currency.
- 2.4** The condensed interim financial statements do not include all the information and disclosures required in the audited annual financial statements, and should be read in conjunction with the audited annual financial statements for the financial year ended December 31, 2018.
- 3. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies and methods of computation adopted in the preparation of these unconsolidated condensed interim financial statements are consistent with those applied in the preparation of the audited annual financial statements of the Bank for the year ended December 31, 2018 except as disclosed below.

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

## 3.1 Changes in accounting policies

### 3.1.1 Change in reporting format

The SBP vide BPRD Circular Letter No. 5 dated March 22, 2019 specified the new reporting format for the quarterly and half yearly financial statements of banking companies. The new format has revised the disclosure requirements of the Bank for the half year ended June 30, 2019 which has resulted in certain additional disclosures and reclassifications of the items in these unconsolidated condensed interim financial statements.

### 3.1.2 Adoption of IFRS 16 - Leases

International Accounting Standards Board (IASB) has issued IFRS 16 'Leases' in January 2016 which supersedes IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

The new standard sets out the principles for:

- Lessees to account for all leases under a single on-balance sheet model and governs recognition, measurement, presentation and disclosure of leases; and
- Lessor accounting which is substantially unchanged. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

Therefore, IFRS 16 did not have an impact for leases where the Bank is a lessor.

The Bank has adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application as January 01, 2019. Under this method, the standard has been applied retrospectively, with the cumulative effect of initially applying the standard, recognised at the date of initial application. Accordingly, adjustment to the carrying amount of assets and liabilities were recognised in the current period.

Upon adoption of IFRS 16, the lessees are required to recognise a lease liability for the obligation to make lease payments and a right-of-use (RoU) asset for the right to use the underlying asset for the lease term against a consideration. Under IAS 17, leased assets, under operating lease mode, were not recognised on bank's balance sheets and it only required lessees to recognise a periodic lease expense (rent) on a straight-line basis over the term for leases tenure and relevant lease commitments were disclosed.

New accounting policies of the Bank upon adoption of IFRS 16 are:

#### **Right-of-use (RoU) assets**

At the commencement date of the lease, the right-of-use asset is initially measured at the present value of lease liability adjusted by the amount of prepaid lease payment recognized immediately before the date of initial application. Subsequently, RoU assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any premeasurement of lease liabilities. RoU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

## Lease liability

At the commencement date of the lease, the Bank recognises lease liability measured at the present value of the consideration (lease payments) to be made over the lease term and is adjusted for lease prepayments. The lease payments are discounted using Bank's incremental borrowing rates as at January 01, 2019. After the commencement date, the carrying amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made.

The effect of adoption of IFRS 16 as at January 01, 2019 (increase / (decrease)) is as follows:

	January 01, 2019 Rupees in '000
<b>Assets</b>	
Right-of-use (RoU) asset	4,098,619
Prepayments	(268,495)
Total Assets	3,830,124
<b>Liabilities</b>	
Lease liability	3,830,124

The carrying amounts of the Bank's right-of-use assets, lease liabilities and the movements during the period is as follows:

	RoU asset ----- Rupees in '000 -----	Lease liability ----- Rupees in '000 -----
As at January 1, 2019	4,098,619	3,830,124
Additional impact arised during the period - net	538,200	538,200
Depreciation	(372,542)	-
Borrowing cost	-	229,063
Payments	-	(373,080)
As at June 30, 2019	<u>4,264,277</u>	<u>4,224,307</u>

Had this standard not been applied, assets and liabilities would have been lower by Rs.4,264.277 million and Rs.4,224.307 million respectively. Rent expense would have been higher by Rs.420.635 million and depreciation charge and mark-up expense would have been lower by Rs.372.542 million and Rs.229.063 million respectively.

## 3.2 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current period.

3.2.1 IFRS 16 - Leases has become effective for annual reporting periods commencing on or after January 01, 2019. The impact of the adoption of IFRS 16 on the Bank's condensed interim financial statements is disclosed in note 3.1.2.

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

There are certain new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 01, 2019 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in these unconsolidated financial statements.

### 3.3 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective.

The following new standards and amendments to existing accounting standards will be effective from the dates mentioned below against the respective standard or amendment:

	<b>Effective date (reporting periods beginning on or after)</b>
- IFRS 3, Business Combinations (Amendments)	January 01, 2020
- IAS 1, Presentation of Financial Statements (Amendments)	January 01, 2020
- IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 01, 2020
	<b>Effective date (reporting periods ending on or after)</b>
- IFRS 9, Financial Instruments (note 3.3.1)	June 30, 2019

3.3.1 Through S.R.O. 229 (I)/2019, dated February 14, 2019, the SECP has notified that IFRS 9 - Financial Instruments, has replaced the International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" which are applicable from reporting periods on or after June 30, 2019. However, State Bank of Pakistan has deferred the applicability of IFRS 9 through email dated July 23, 2019. Therefore, the Bank has not considered the impact for adoption of IFRS 9 for its Pakistan operations in these unconsolidated condensed interim financial statements.

Further, the Bank considers that as the Prudential Regulations and other SBP directives currently provide the accounting framework for the measurement and valuation of investments and provision against non performing loans and advances, the implementation of IFRS 9 may require changes in the regulatory regime and for this SBP would issue suitable guidance and instruction on the application of IFRS 9 for the banking sector of Pakistan.

The adoption of the IFRS 9 by the overseas branch as per the requirement of regulatory regime, has resulted in net reversal of ECL provisioning requirement of Rs. 59.311 million during the half year ended June 30, 2019.



# Notes to the Unconsolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of these unconsolidated condensed interim financial statements is the same as that applied in the preparation of the unconsolidated financial statements for the year ended December 31, 2018.

## 5. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the unconsolidated financial statements for the year ended December 31, 2018.

	(Un-audited) June 30, 2019	(Audited) December 31, 2018
Note	-----	-----
	----- Rupees in '000 -----	

## 6. CASH AND BALANCES WITH TREASURY BANKS

### In hand

Local currency	5,994,146	4,415,520
Foreign currencies	1,110,046	488,292
	<u>7,104,192</u>	<u>4,903,812</u>

### With State Bank of Pakistan in:

Local currency current account	18,986,133	22,166,628
Foreign currency current account - non remunerative	1,048,341	785,958
Foreign currency deposit account - remunerative	3,417,602	2,409,442
	<u>23,452,076</u>	<u>25,362,028</u>

### With National Bank of Pakistan in:

Local currency current accounts	2,165,671	1,839,396
National Prize Bonds	2,019,782	5,604
	<u>34,741,721</u>	<u>32,110,840</u>

## 7. BALANCES WITH OTHER BANKS

### In Pakistan

In current accounts	324,263	124,962
In deposit accounts	67	67
	<u>324,330</u>	<u>125,029</u>

### Outside Pakistan

In current accounts	820,150	733,889
In deposit accounts	1,171,020	109,784
	<u>1,991,170</u>	<u>843,673</u>

Less: General provision under IFRS 9	7.1	(32)	(127)
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Balances with other banks - net of provision		<u>2,315,468</u>	<u>968,575</u>
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# Notes to the Unconsolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

7.1 This represents general provision held under IFRS 9 by Bahrain branch of the Bank.

8. LENDINGS TO FINANCIAL INSTITUTIONS		(Un-audited) June 30, 2019	(Audited) December 31, 2018
		Note ----- Rupees in '000 -----	
	Call money lendings	1,067,014	1,758,917
	Due against bills re-discounting	-	182,742
	Repurchase agreement lendings (Reverse Repo)	3,532,193	-
		<u>4,599,207</u>	<u>1,941,659</u>
	Less: General provision under IFRS 9	8.1 (1,145)	(4,312)
	<b>Lending to Financial Institutions - net of provision</b>	<u><b>4,598,062</b></u>	<u><b>1,937,347</b></u>

8.1 This represents general provision held under IFRS 9 by Bahrain branch of the Bank.

9. INVESTMENTS	(Un-audited) June 30, 2019				(Audited) December 31, 2018			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
9.1 Investments by type:	----- Rupees in '000 -----							
<b>Held-for-trading securities</b>								
Federal Government Securities	26,150,135	-	(1,042)	26,149,093	41,381,420	-	(12,906)	41,368,514
<b>Available-for-sale securities</b>								
Federal Government Securities	67,316,589	-	(2,111,054)	65,205,535	55,434,989	-	(2,893,867)	52,541,122
Shares	3,691,766	(700,886)	(221,947)	2,768,933	3,141,015	(478,346)	(94,766)	2,567,903
Non Government Debt Securities	3,750,574	(370,051)	(4,864)	3,375,659	1,898,582	(373,594)	606	1,525,594
Foreign Securities	2,486,829	-	(106,709)	2,380,120	6,326,797	-	(456,009)	5,870,788
	<u>77,245,758</u>	<u>(1,070,937)</u>	<u>(2,444,574)</u>	<u>73,730,247</u>	<u>66,801,383</u>	<u>(851,940)</u>	<u>(3,444,036)</u>	<u>62,505,407</u>
<b>Held-to-maturity securities</b>								
Federal Government Securities	34,623,591	-	-	34,623,591	42,716,932	-	-	42,716,932
<b>Associates</b>	201,239	-	-	201,239	180,000	-	-	180,000
<b>Subsidiaries</b>	1,919,121	-	-	1,919,121	1,919,121	-	-	1,919,121
<b>Total Investments</b>	<u>140,139,844</u>	<u>(1,070,937)</u>	<u>(2,445,616)</u>	<u>136,623,291</u>	<u>152,998,856</u>	<u>(851,940)</u>	<u>(3,456,942)</u>	<u>148,689,974</u>

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

		(Un-audited) June 30, 2019				(Audited) December 31, 2018			
		Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
9.2	Investments by segments:	Rupees in '000							
	<b>Held-for-trading securities</b>								
	<b>Federal Government Securities</b>								
	Market Treasury Bills	26,148,836	-	(1,042)	26,147,794	41,376,995	-	(12,844)	41,364,151
	Pakistan Investment Bonds	1,299	-	-	1,299	4,425	-	(62)	4,363
		<u>26,150,135</u>	<u>-</u>	<u>(1,042)</u>	<u>26,149,093</u>	<u>41,381,420</u>	<u>-</u>	<u>(12,906)</u>	<u>41,368,514</u>
	<b>Available-for-sale securities</b>								
	<b>Federal Government Securities:</b>								
	Market Treasury Bills	25,262,369	-	2,095	25,264,464	3,010,920	-	(13)	3,010,907
	Pakistan Investment Bonds	42,054,220	-	(2,113,149)	39,941,071	52,424,069	-	(2,893,854)	49,530,215
		<u>67,316,589</u>	<u>-</u>	<u>(2,111,054)</u>	<u>65,205,535</u>	<u>55,434,989</u>	<u>-</u>	<u>(2,893,867)</u>	<u>52,541,122</u>
	<b>Shares:</b>								
	<b>Listed Companies</b>								
	Ordinary shares	3,516,444	(564,297)	(221,947)	2,730,200	2,993,426	(341,757)	(94,766)	2,556,903
	Preference shares	136,589	(136,589)	-	-	136,589	(136,589)	-	-
	<b>Unlisted Companies</b>								
	Ordinary shares	11,000	-	-	11,000	11,000	-	-	11,000
	Preference shares	27,733	-	-	27,733	-	-	-	-
		<u>3,691,766</u>	<u>(700,886)</u>	<u>(221,947)</u>	<u>2,768,933</u>	<u>3,141,015</u>	<u>(478,346)</u>	<u>(94,766)</u>	<u>2,567,903</u>
	<b>Non Government Debt Securities</b>								
	<b>Listed</b>								
	Term Finance Certificates	305,184	(155,169)	(15)	150,000	308,727	(158,712)	(15)	150,000
	Sukuk Certificates	484,917	-	(4,849)	480,068	529,000	-	621	529,621
	<b>Unlisted</b>								
	Term Finance Certificates	1,415,473	(214,882)	-	1,200,591	779,188	(214,882)	-	564,306
	Sukuk Certificates	1,545,000	-	-	1,545,000	281,667	-	-	281,667
		<u>3,750,574</u>	<u>(370,051)</u>	<u>(4,864)</u>	<u>3,375,659</u>	<u>1,898,582</u>	<u>(373,594)</u>	<u>606</u>	<u>1,525,594</u>
	<b>Foreign Securities</b>								
	Government Debt Securities	541,396	-	(4,972)	536,424	3,434,089	-	(202,645)	3,231,444
	Non Government Debt Securities	1,943,027	-	(101,737)	1,841,290	2,890,302	-	(253,364)	2,636,938
	Ordinary shares	2,406	-	-	2,406	-	-	-	2,406
		<u>2,486,829</u>	<u>-</u>	<u>(106,709)</u>	<u>2,380,120</u>	<u>6,326,797</u>	<u>-</u>	<u>(456,009)</u>	<u>5,870,788</u>
	<b>Held-to-maturity securities</b>								
	<b>Federal Government Securities:</b>								
	Pakistan Investment Bonds	34,623,591	-	-	34,623,591	42,716,932	-	-	42,716,932
	<b>Associates</b>								
	Omar Jibran Engineering Industries Limited	180,000	-	-	180,000	180,000	-	-	180,000
	Veda Transit Solutions Private Limited	972	-	-	972	-	-	-	-
	Intercity Touring Company Private Limited	20,267	-	-	20,267	-	-	-	-
		<u>201,239</u>	<u>-</u>	<u>-</u>	<u>201,239</u>	<u>180,000</u>	<u>-</u>	<u>-</u>	<u>180,000</u>
	<b>Subsidiaries</b>								
	JS Global Capital Limited	1,357,929	-	-	1,357,929	1,357,929	-	-	1,357,929
	JS Investments Limited	561,192	-	-	561,192	561,192	-	-	561,192
		<u>1,919,121</u>	<u>-</u>	<u>-</u>	<u>1,919,121</u>	<u>1,919,121</u>	<u>-</u>	<u>-</u>	<u>1,919,121</u>
	<b>Total Investments</b>	<u>140,139,844</u>	<u>(1,070,937)</u>	<u>(2,445,616)</u>	<u>136,623,291</u>	<u>152,998,856</u>	<u>(851,940)</u>	<u>(3,456,942)</u>	<u>148,689,974</u>

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

- 9.2.1** Included herein are the investments in related parties amounting to Rs.2,090.071 million (December 31, 2018: Rs.1,899.088 million) having market value of Rs.1,945.384 million (December 31, 2018: Rs.1,931.604 million).
- 9.2.2** This represents investments in related parties amounting to Rs.27.733 million (December 31, 2018: Rs.Nil).
- 9.2.3** Included herein is the investment of Rs.65.022 million (December 31, 2018: Rs.65.022 million) in a related party at the rate of 6 months KIBOR + 1.75% matured on December 04, 2017. Due to weak financial position of the investee the Bank has recognised full impairment loss on these Term Finance Certificates.
- 9.2.4** The market value of securities classified as held-to-maturity as at June 30, 2019 amounted to Rs.31,755.226 million (December 31, 2018: Rs.39,836.881 million).
- 9.2.5** During the period, the Bank has invested in the equity securities of Veda Transit Solutions (Private) Limited (8.0% shareholding) and Intercity Touring Company (Private) Limited (9.12% shareholding), a public unlisted companies. The Bank has classified these investment as associates on account of it's significant influence over the investee companies.

	(Un-audited) June 30, 2019		(Audited) December 31, 2018	
	Cost	Market value	Cost	Market value
<b>9.2.6 Investments given as collateral</b>	----- Rupees in '000 -----			
<b>Held-for-trading securities</b>				
<b>Federal Government Securities</b>				
Market Treasury Bills	-	-	19,927,891	19,922,073
Pakistan Investment Bonds	-	-	4,123	4,066
	-	-	19,932,014	19,926,139
<b>Available-for-sale securities</b>				
<b>Federal Government Securities:</b>				
Pakistan Investment Bonds	22,469,508	21,017,253	49,667,336	46,935,112
<b>Foreign Debt Securities</b>				
Government Debt Securities	321,397	317,072	2,243,194	2,113,551
Non Government Debt Securities	328,029	330,203	425,354	416,293
	649,426	647,275	2,668,548	2,529,844
	<u>23,118,934</u>	<u>21,664,528</u>	<u>72,267,898</u>	<u>69,391,095</u>
<b>9.3 Provision for diminution in value of investments</b>			(Un-audited) June 30, 2019	(Audited) December 31, 2018
			----- Rupees in '000 -----	
<b>9.3.1</b> Opening balance			851,940	1,071,851
Charge			251,675	30,032
Reversal on disposals / redemptions			(32,678)	249,943
Net charge for the period			218,997	(219,911)
Closing Balance			<u>1,070,937</u>	<u>851,940</u>

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

9.3.2 Particulars of provision against debt securities	(Un-audited) June 30, 2019		(Audited) December 31, 2018	
	NPI	Provision	NPI	Provision
Category of classification				
----- Rupees in '000 -----				
<b>Domestic</b>				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	370,051	370,051	373,594	373,594
	<u>370,051</u>	<u>370,051</u>	<u>373,594</u>	<u>373,594</u>

9.3.3 In addition to the above, Bahrain branch hold a general provision of Rs.48.312 million (December 31, 2018: Rs.90.015 million) in accordance with the requirements of IFRS 9.

10. ADVANCES	Note	Performing		Non Performing		Total	
		(Un-audited) June 30, 2019	(Audited) December 31, 2018	(Un-audited) June 30, 2019	(Audited) December 31, 2018	(Un-audited) June 30, 2019	(Audited) December 31, 2018
		----- Rupees in '000 -----					
Loans, cash credits, running finances, etc.		232,073,024	232,162,303	9,500,414	8,309,467	241,573,438	240,471,770
Bills discounted and purchased		12,034,121	14,675,443	-	-	12,034,121	14,675,443
Advances - gross		244,107,145	246,837,746	9,500,414	8,309,467	253,607,559	255,147,213
Provision against advances							
General		(156,006)	(155,661)	-	-	(156,006)	(155,661)
General provision - under IFRS-9	10.3.2	(5,400)	(10,746)	-	-	(5,400)	(10,746)
Specific	10.3	-	-	(3,425,592)	(2,989,888)	(3,425,592)	(2,989,888)
		(161,406)	(166,407)	(3,425,592)	(2,989,888)	(3,586,998)	(3,156,295)
Advances - net of provision		243,945,739	246,671,339	6,074,822	5,319,579	250,020,561	251,990,918

10.1 Particulars of advances (gross)	(Un-audited) June 30, 2019	(Audited) December 31, 2018
	----- Rupees in '000 -----	
In local currency	245,004,000	247,577,882
In foreign currencies	8,603,559	7,569,331
	<u>253,607,559</u>	<u>255,147,213</u>

10.2 Advances include Rs.9,500.414 million (December 31, 2018: Rs.8,309.467 million) which have been placed under non-performing status as detailed below:

Category of Classification	(Un-audited) June 30, 2019		(Audited) December 31, 2018	
	Non Performing Loans	Provision	Non Performing Loans	Provision
----- Rupees in '000 -----				
<b>Domestic</b>				
Other Assets Especially Mentioned	907,727	1,027	231,430	-
Substandard	739,424	84,420	1,488,616	83,945
Doubtful	2,630,265	371,671	3,189,709	146,592
Loss	5,222,998	2,968,474	3,399,712	2,759,351
<b>Total</b>	<u>9,500,414</u>	<u>3,425,592</u>	<u>8,309,467</u>	<u>2,989,888</u>

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

## 10.3 Particulars of provision against advances

	(Un-audited) June 30, 2019				(Audited) December 31, 2018			
	Specific	General	General provision - under IFRS-9	Total	Specific	General	General provision - under IFRS-9	Total
----- Rupees in '000 -----								
Opening balance	2,989,888	155,661	10,746	3,156,295	2,638,960	100,353	-	2,739,313
Exchange adjustments	-	-	897	897	-	-	1,321	1,321
Charge for the period	691,423	345	-	691,768	422,994	55,308	9,425	487,727
Reversal for the period	(255,719)	-	(6,243)	(261,962)	(72,066)	-	-	(72,066)
	435,704	345	(6,243)	429,806	350,928	55,308	9,425	415,661
Amount written off from the opening balance	-	-	-	-	-	-	-	-
Closing balance	<u>3,425,592</u>	<u>156,006</u>	<u>5,400</u>	<u>3,586,998</u>	<u>2,989,888</u>	<u>155,661</u>	<u>10,746</u>	<u>3,156,295</u>

10.3.1 The general provision is maintained to create general reserves against following advances portfolios in accordance with the prudential regulations issued by State Bank of Pakistan as follows:

	(Un-audited) June 30, 2019	(Audited) December 31, 2018	(Un-audited) June 30, 2019	(Audited) December 31, 2018
	Secured portfolio		Unsecured portfolio	
	----- Percentages -----			
Consumer financing	1%	1%	4%	4%
Housing finance	0.5%	0.5%	-	-

10.3.2 This represents general provision held under IFRS 9 by Bahrain branch of the Bank.

10.3.3 The State Bank of Pakistan through various circulars has allowed benefit of the forced sale value (FSV) of Plant and Machinery under charge, pledged stock and mortgaged residential, commercial and industrial properties (land and building only) held as collateral against non-performing loans (NPLs) for a maximum of five years from the date of classification. As at June 30, 2019, the Bank has availed cumulative benefit of FSV of Rs.3,307.433 million (December 31, 2018: Rs.2,386.448 million) under the directives of the SBP. Had the benefit not been taken the unappropriated profit after tax would have reduced by Rs.2,149.831 million (December 31, 2018: Rs.1,551.191 million). Further, as required by the SBP directives, this unappropriated profit will not be available for distribution as dividend or other appropriations.

		(Un-audited) June 30, 2019	(Audited) December 31, 2018
	Note	----- Rupees in '000 -----	
<b>11. FIXED ASSETS</b>			
Capital work-in-progress	11.1	370,638	162,193
Property and equipment		6,942,677	6,083,135
Right-of-use Assets	3.1.2	4,264,277	-
		<u>11,577,592</u>	<u>6,245,328</u>
<b>11.1 Capital work-in-progress</b>			
Civil works		188,436	133,928
Advance for purchase of furniture and fixtures		13,184	4,479
Advance for purchase of vehicles		46,545	14,182
Advance for purchase of equipment		122,473	9,604
		<u>370,638</u>	<u>162,193</u>

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

## 11.2 Additions to fixed assets

The following additions have been made to fixed assets during the period:

		----- (Un-audited) -----	
		June 30, 2019	June 30, 2018
Note		----- Rupees in '000 -----	
	<b>Capital work-in-progress - net</b>	<b>208,445</b>	252,333
	<b>Property and equipment</b>		
	Building on lease hold land	11.2.1 640,701	-
	Lease hold improvements	62,954	131,845
	Furniture and fixture	37,217	39,125
	Electrical, office and computer equipment	306,877	167,696
	Vehicles	222,217	84,431
		<b>1,269,966</b>	423,097
		<b>1,478,411</b>	675,430

11.2.1 During the period, the Bank purchased an office premises on June 03, 2019 from JS Investments Limited (a Subsidiary Company) for cash consideration of Rs.607.299 million. The cost of acquisition amounting to Rs.33.401 million has also been capitalized in its cost.

## 11.3 Disposal of fixed assets

The net book value of fixed assets disposed off during the period are as follows:

		----- (Un-audited) -----	
		June 30, 2019	June 30, 2018
		----- Rupees in '000 -----	
	Lease hold improvements	1,789	9,917
	Furniture and fixture	493	647
	Electrical, office and computer equipment	3,807	3,290
	Vehicles	29,398	8,837
		<b>35,487</b>	22,691

		(Un-audited) June 30, 2019	(Audited) December 31, 2018
Note		----- Rupees in '000 -----	
<b>12. INTANGIBLE ASSETS</b>			
	Capital work-in-progress	12.1 8,340	75,760
	Goodwill	1,463,625	1,463,625
	Computer software	656,324	630,492
		<b>2,128,289</b>	2,169,877
<b>12.1 Capital work-in-progress</b>			
	Advance for purchase software	<b>8,340</b>	75,760

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

## 12.2 Additions to intangible assets

The following additions have been made to intangible assets during the period:

	----- (Un-audited) ----- June 30, 2019	June 30, 2018
	----- Rupees in '000 -----	
Capital work-in-progress - net	-	73,576
Directly purchased - computer software	1,480	123,768
	<u>1,480</u>	<u>197,344</u>

	(Un-audited) June 30, 2019	(Audited) December 31, 2018
	----- Rupees in '000 -----	

## 13. DEFERRED TAX ASSETS - NET

Note

### Deferred tax debits arising from:

Unused tax losses	154,931	-
Provision against investments	57,149	57,149
Provision against loans and advances	153,643	34,278
Other assets	432,915	124,078
General provision under IFRS-9	19,211	36,820
Intangible other than Goodwill	2,266	2,246
Unrealised loss on revaluation of investments classified as held for trading	365	4,517
Deficit on revaluation of investments classified as available for sale	838,692	1,173,907
	<u>1,659,172</u>	<u>1,432,995</u>

### Deferred tax credits arising due to:

Fixed assets	(176,988)	(225,855)
Goodwill	(512,268)	(512,268)
Surplus on revaluation of operating fixed assets	(322,550)	(328,079)
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	(989)	(1,010)
Unrealized gain on revaluation of derivative instruments	(175,349)	(78,721)
	<u>(1,188,144)</u>	<u>(1,145,933)</u>
	<u>471,028</u>	<u>287,062</u>

- 13.1 Adjustability of minimum tax (in future years) is provided under section 113(2)(c) of the Income Tax Ordinance, 2001 (the Ordinance), The said provision provides that the excess of minimum tax over 'actual carried forward for adjustment against tax liability (up to five years). However, the Sindh High Court (SHC) passed an order against the issue which had arisen where 'actual tax payable for the year is Nil, and whole amount of minimum tax was considered for adjustment in future. The SHC passed an order that 'actual tax payable should be an absolute amount, and cannot be zero or nil; therefore minimum tax paid in such a situation is not eligible for adjustment in future, in terms of section 113(2)(c) of the Ordinance. Aforesaid decision of the SHC has been further appealed, and issue is now subjudiced before the Supreme Court of Pakistan (SCP). Management and its tax advisors are of the opinion that, based on valid legal grounds, favourable outcome is expected. Accordingly, till the finalization of matter at the SCP, the Bank will continue to carry forward the tax paid.



# Notes to the Unconsolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

	(Un-audited) June 30, 2019	(Audited) December 31, 2018
Note ----- Rupees in '000 -----		
<b>14. OTHER ASSETS</b>		
Income/ Mark-up accrued in local currency - net of provision	7,743,565	5,586,015
Income/ Mark-up accrued in foreign currencies	105,553	133,707
Advances, deposits, advance rent and other prepayments	527,287	535,055
Taxation (payments less provision)	889,319	936,133
Receivable against bancassurance / bancatakaful	26,192	75,056
Stationery and stamps in hand	19,692	18,536
Receivable from other banks in respect of remittance	373,950	283,469
Non-banking assets acquired in satisfaction of claims	625,378	91,421
Mark to market gain on derivative instruments	503,288	224,916
Advance for subscription of TFC - unsecured	157,494	845,917
ATM settlement account	163,130	195,927
Acceptances	2,195,274	3,217,002
Others	216,470	132,992
	<u>13,546,592</u>	<u>12,276,146</u>
Less: Provision held against other assets	(13,778)	(15,860)
Other assets (net of provisions)	<u>13,532,814</u>	<u>12,260,286</u>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	93,806	93,869
	<u>13,626,620</u>	<u>12,354,155</u>

## 14.1 Movement of Non banking assets acquired in satisfaction of claims at market value:

Opening balance	185,290	203,339
Addition during the period / year	534,128	1,295
Transferred during the period / year	-	(18,771)
Depreciation during the period / year	(234)	(573)
Closing balance	<u>719,184</u>	<u>185,290</u>

## 14.2 Movement in provision held against other assets

Opening balance	15,860	55,667
Charge	-	2,561
Reversal	(2,082)	(42,368)
Net reversal for the period / year	<u>(2,082)</u>	<u>(39,807)</u>
Closing balance	<u>13,778</u>	<u>15,860</u>

## 15. BILLS PAYABLE

In Pakistan	3,691,059	3,326,595
Outside Pakistan	222,675	193,329
	<u>3,913,734</u>	<u>3,519,924</u>

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

	(Un-audited) June 30, 2019	(Audited) December 31, 2018
<b>16. BORROWINGS</b>		
<b>Secured</b>		
<b>Borrowings from State Bank of Pakistan under:</b>		
Export Refinancing Scheme (ERF)	18,397,130	15,329,309
Long-Term Finance Facility (LTFF)	1,549,511	1,055,928
Financing Facility for Storage of Agricultural Produce (FFSAP)	176,133	121,922
Repurchase agreement borrowings	14,818,488	12,609,714
	<b>34,941,262</b>	<b>29,116,873</b>
<b>Borrowing from financial institutions</b>		
Repurchase agreement borrowings	6,696,280	57,228,252
Refinancing facility for mortgage loans	1,987,385	-
	<b>8,683,665</b>	<b>57,228,252</b>
<b>Total secured</b>	<b>43,624,927</b>	<b>86,345,125</b>
<b>Unsecured</b>		
Call borrowings	5,756,679	8,323,290
Due against bills re-discounting	1,527,294	1,388,619
Overdrawn nostro accounts	1,679,955	501,629
<b>Total unsecured</b>	<b>8,963,928</b>	<b>10,213,538</b>
	<b>52,588,855</b>	<b>96,558,663</b>

(Un-audited) June 30, 2019			(Audited) December 31, 2018		
In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total

----- Rupees in '000 -----

## 17. DEPOSITS AND OTHER ACCOUNTS

### Customers

Current deposits	69,408,139	6,889,792	76,297,931	71,824,038	5,321,812	77,145,850
Savings deposits	67,001,368	3,828,909	70,830,277	61,444,549	2,576,579	64,021,128
Term deposits	146,559,813	14,264,173	160,823,986	118,807,475	11,430,120	130,237,595
Margin accounts	3,841,882	14,495	3,856,377	3,566,455	4,937	3,571,392
	<b>286,811,202</b>	<b>24,997,369</b>	<b>311,808,571</b>	<b>255,642,517</b>	<b>19,333,448</b>	<b>274,975,965</b>

### Financial Institutions

Current deposits	962,504	-	962,504	860,111	-	860,111
Savings deposits	26,011,312	-	26,011,312	27,428,098	-	27,428,098
Term deposits	20,575,850	1,747,139	22,322,989	16,608,212	1,540,877	18,149,089
	<b>47,549,666</b>	<b>1,747,139</b>	<b>49,296,805</b>	<b>44,896,421</b>	<b>1,540,877</b>	<b>46,437,298</b>
	<b>334,360,868</b>	<b>26,744,508</b>	<b>361,105,376</b>	<b>300,538,938</b>	<b>20,874,325</b>	<b>321,413,263</b>

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

		(Un-audited) June 30, 2019	(Audited) December 31, 2018
	Note	----- Rupees in '000 -----	
<b>18. SUBORDINATED DEBT</b>			
Term Finance Certificates - First Issue	18.1	<b>2,997,000</b>	2,997,600
Term Finance Certificates - Second Issue	18.2	<b>1,998,800</b>	1,999,200
Term Finance Certificates - Third Issue	18.3	<b>2,500,000</b>	2,500,000
		<b><u>7,495,800</u></b>	<u>7,496,800</u>

- 18.1** In 2016, the Bank has issued Rs.3 billion of rated, privately placed, unsecured and subordinated term finance certificates ("TFCs" or "the Issue") as an instrument of redeemable capital under Section 120 of the Companies Ordinance, 1984 and as outlined by State Bank of Pakistan, SBP, under the BPRD circular No. 06 dated August 15, 2013 and Basel III guidelines. Summary of terms and conditions of the Issue are:

Purpose:	To contribute toward the Bank's Tier II Capital for complying with the Capital Adequacy Ratio requirement and to utilize the funds in the Bank's business operations as permitted by its Memorandum & Articles of Association.
Issue date	December 14, 2016
Tenor:	Seven years from the Issue date.
Maturity Date:	December 14, 2023
Rating	A + (Single A Plus)
Profit Rate:	Floating rate of return at Base rate + 1.40 percent per annum; Base rate is defined as the average six months KIBOR prevailing on the Base Rate setting date. The Base Rate will be set for the first time on the last working day prior to the Issue Date and subsequently on the immediately preceding business day before the start of each six monthly period
Profit payment:	Semi-annual
Redemption:	The instrument is structured to redeem 0.24% of the Issue amount during the first six years after the Issue date and the remaining Issue amount of 99.76% in two equal semi-annual installments of 49.88% each in the last year.
Security:	The Issue is unsecured and subordinated as to payment of Principal and Profit to all other indebtedness of the Bank.
Call Option:	Exercisable in part or in full on or after the 10th redemption, subject to SBP's approval.
Lock-in-clause:	Principal and profit will be payable subject to compliance with MCR or CAR set by SBP.

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

Loss absorbency clause: Upon the occurrence of a Point of Non-Viability event as defined by SBP's Basel III Capital Rule vide BPRD Circular # 6 of 2013 dated August 15, 2013, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank and/or have them immediately written off (either partially or in full). Number of shares to be issued to TFC holders at the time of conversion will be equal to the 'Outstanding Face Value of the TFCs' divided by market value per share of the Bank's common share on the date of trigger as declared by SBP of the non-viability event as declared by SBP, subject to a cap of 467,836,257 shares.

**18.2** In 2017, the Bank has issued Rs.2 billion of rated, privately placed and listed, unsecured and subordinated term finance certificates ("TFCs" or "the Issue") as an instrument of redeemable capital under Section 66 of the Companies Act, 2017 and as outlined by State Bank of Pakistan, SBP, under the BPRD circular No. 06 dated August 15, 2013 and Basel III guidelines. Summary of terms and conditions of the Issue are:

Purpose: To contribute toward the Bank's Tier II Capital for complying with the capital adequacy requirement and to utilize the funds in the Bank's business operations as permitted by its Memorandum & Articles of Association.

Issue date: December 29, 2017

Tenor: Seven years from the Issue date.

Maturity Date: December 29, 2024

Rating: A + (Single A Plus)

Profit Rate: Floating rate of return at Base rate + 1.40 percent per annum; Base rate is defined as the average six months KIBOR prevailing on the Base Rate setting date. The Base Rate will be set for the first time on the last working day prior to the Issue Date and subsequently on the immediately preceding business day before the start of each six monthly period.

Profit payment: Semi-annual

Redemption: The instrument is structured to redeem 0.24% of the Issue amount during the first six years after the Issue date and the remaining Issue amount of 99.76% in two equal semi-annual installments of 49.88% each in the last year.

Security: The Issue is unsecured and subordinated as to payment of Principal and Profit to all other indebtedness of the Bank.

Call Option: Exercisable in part or in full on or after the 10th redemption, with prior approval of SBP.

Lock-in-clause: Principal and profit will be payable subject to compliance with MCR or CAR set by SBP.

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

Loss absorbency clause: Upon the occurrence of a Point of Non-Viability event as defined under SBP BPRD Circular # 6 of 2013 dated August 15, 2013, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank and/or have them immediately written off (either partially or in full). Number of shares to be issued to TFC holders at the time of conversion will be equal to the 'Outstanding Face Value of the TFCs' divided by market value per share of the Bank's common share on the date of trigger of Point of Non-Viability (PONV) as declared by SBP, subject to a cap of 319,982,544 shares.

**18.3** In 2018, the Bank has issued Rs.2.5 billion of rated, privately placed and listed (listing in process), unsecured, subordinated, perpetual and non-cumulative additional Tier I capital term finance certificates ("TFCs" or "the Issue") as an instrument of redeemable capital under Section 66(1) of the Companies Act, 2017 and as outlined by State Bank of Pakistan, SBP, under the BPRD circular No. 06 dated August 15, 2013 (the "Circular") and Basel III guidelines. Summary of terms and conditions of the Issue are:

Purpose: To contribute toward the Bank's Tier I Capital for complying with the capital adequacy requirement and to utilize the funds in the Bank's business operations as permitted by its Memorandum & Articles of Association.

Issue date: December 31, 2018

Maturity date: Perpetual

Rating: A (Single A)

Profit Rate: Floating rate of return at Base rate + 2.25 percent per annum; Base rate is defined as the average six months KIBOR prevailing on the Base Rate setting date. The Base Rate will be set for the first time on the last working day prior to the Issue Date and subsequently on the immediately preceding business day before the start of each six monthly period.

Profit payment frequency: Semi-annually on a non-cumulative basis

Redemption: Not applicable

Security: The Issue is unsecured and subordinated as to payment of Principal and Profit to all other claims except common shares.

Call Option: Exercisable in part or in full at a par value on or after five years from the issue date, with prior approval of SBP. The Bank shall not exercise the call option unless the called instrument is replaced with capital of same or better quality.

Lock-in-clause: Payment of profit will be made from current year's earning and subject to compliance with MCR or CAR set by SBP.

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

## Loss absorbercy clause:

**Pre-Specified Trigger ("PST")** Upon the occurrence of a Pre-Specified Trigger as defined under SBP BPRD Circular # 6 of 2013 dated August 15, 2013, which stipulates that if an Issuer's Common Equity Tier 1 ("CET 1") ratio falls to or below 6.625% of Risk Weighted Assets ("RWA"), the Issuer will have full discretion to determine the amount of TFCs to be permanently converted into common shares or written off, subject to SBP regulations / instructions, and the cap specified below. The Bank will be able to exercise this discretion subject to:

- If and when Bank's CET 1 reaches the loss absorption trigger point, the aggregate amount of Additional Tier-1 capital to be converted must at least be the amount sufficient to immediately return the CET 1 ratio to above 6.625% of total RWA (if possible);
- The converted amount should not exceed the amount needed to bring the CET 1 ratio to 8.5% of RWA (i.e. minimum CET 1 of 6.0% plus capital conservation buffer of 2.5%); and
- In case, conversion of Additional Tier-1 capital Instrument is not possible following the trigger event, the amount of the Instrument must be written off in the accounts resulting in increase in CET 1 of the Issuer.

**Point of Non-Viability ("PONV")**

Upon the occurrence of a Point of Non-Viability event as defined under SBP BPRD Circular # 6 of 2013 dated August 15, 2013, which stipulates that SBP may, at its option, fully and permanently convert the TFCs into common shares of the Issuer and / or have them immediately written off (either partially or in full). Number of shares to be issued to TFC holders at the time of conversion will be equal to the 'Outstanding Value of the TFCs' divided by market value per share of the Issuer's common / ordinary share on the date of the PONV trigger event as declared by SBP, subject to the cap specified below:

### The PONV trigger event is the earlier of:

- A decision made by SBP that a conversion or temporary / permanent write-off is necessary without which the Issuer would become non-viable;
- The decision to make a public sector injection of capital, or equivalent support, without which the Issuer would have become non-viable, as determined by SBP; and
- The maximum number of shares to be issued to TFC holders at the Pre-Specified Trigger and / or Point of Non Viability (or otherwise as directed by SBP) will be subject to a specified cap of 329,595,476 ordinary shares, or such other number as may be agreed to in consultation with SBP.

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

		(Un-audited) June 30, 2019	(Audited) December 31, 2018
<b>19. OTHER LIABILITIES</b>	Note	----- Rupees in '000 -----	
Mark-up / return / interest payable in local currency		2,178,853	2,638,441
Mark-up / return / interest payable in foreign currencies		111,960	107,641
Accrued expenses		422,882	575,943
Unclaimed dividends		4,214	4,214
Payable in respect of defined benefit obligation - net		168,433	102,494
Government duties		160,966	159,236
Donation payable		-	14,500
Lease key money deposit		4,484,667	4,568,145
Workers' Welfare Fund		72,712	72,712
Payable against remittance		734,499	442,811
Visa debit card payable		232,223	80,202
Retention money payable		30,705	35,053
Acceptances		2,195,274	3,217,002
Lease liability	3.1.2	4,224,307	-
Others		151,230	130,006
		<u>15,172,925</u>	<u>12,148,400</u>
<b>20. DEFICIT ON REVALUATION OF ASSETS - NET OF TAX</b>			
<b>(Deficit) / surplus on revaluation of:</b>			
Available-for-sale securities - net	9.1 & 20.1	(2,396,262)	(3,354,020)
Fixed assets		1,363,948	1,379,744
Non-banking assets acquired in satisfaction of claims		93,806	93,869
		(938,508)	(1,880,407)
<b>Deferred tax on (deficit) / surplus on revaluation of:</b>			
Available-for-sale securities - net		838,692	1,173,907
Fixed assets		(322,550)	(328,078)
Non-banking assets acquired in satisfaction of claims		(989)	(1,011)
		515,153	844,818
		<u>(423,355)</u>	<u>(1,035,589)</u>
<b>20.1</b>	This is net off against general provision held under IFRS 9 of Rs.48.312 million (December 31, 2018: Rs.90.015 million) through profit and loss account.		
		(Un-audited) June 30, 2019	(Audited) December 31, 2018
<b>21. CONTINGENCIES AND COMMITMENTS</b>	Note	----- Rupees in '000 -----	
Guarantees	21.1	40,025,248	41,116,520
Commitments	21.2	61,581,356	58,341,132
		<u>101,606,604</u>	<u>99,457,652</u>
<b>21.1 Guarantees:</b>			
Financial guarantees		2,652,749	3,552,003
Performance guarantees		20,381,360	19,549,043
Other guarantees		16,991,139	18,015,474
	21.1.1	<u>40,025,248</u>	<u>41,116,520</u>

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

21.1.1 Included herein the outstanding guarantees of Rs.15.401 million (December 31, 2018: Rs.19.201 million) of related parties.

	(Un-audited) June 30, 2019	(Audited) December 31, 2018
Note	----- Rupees in '000 -----	
<b>21.2 Commitments:</b>		
<b>Documentary credits and short-term trade-related transactions</b>		
- letters of credit	21.2.1 12,314,629	14,957,752
<b>Commitments in respect of:</b>		
- Forward foreign exchange contracts	21.2.2 30,492,722	34,627,442
- Forward government securities transactions	21.2.3 11,199,465	1,703,671
- Interest rate swaps (notional principal)	21.2.4 5,233,253	3,992,763
- Options (notional principal)	21.2.4 2,080,677	2,631,433
- Forward lending	21.2.5 151,830	284,137
<b>Commitments for acquisition of:</b>		
- Fixed assets	21.2.6 108,780	143,934
	<u>61,971,979</u>	<u>58,341,132</u>

21.2.1 Included herein the outstanding letter of credits of Rs.94.829 million (December 31, 2018: Rs.44.016 million) of related parties.

## 21.2.2 Commitments in respect of forward foreign exchange contracts

Purchase	21,815,879	21,521,180
Sale	8,676,843	13,106,262
	<u>30,492,722</u>	<u>34,627,442</u>

The Bank utilises foreign exchange instruments to meet the needs of its customers and as part of its asset and liability management activity to hedge its own exposure to currency risk.

## 21.2.3 Commitments in respect of forward government securities

Purchase	1,574,852	209,471
Sale	9,624,613	1,494,200
	<u>11,199,465</u>	<u>1,703,671</u>

## 21.2.4 Commitments in respect of derivative instruments

Interest rate swaps (notional principal)	5,233,253	3,992,763
Options (notional principal)	2,080,677	2,631,433
	<u>7,313,930</u>	<u>6,624,196</u>



# Notes to the Unconsolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

	(Un-audited) June 30, 2019	(Audited) December 31, 2018
----- Rupees in '000 -----		
<b>21.2.5 Commitments in respect of forward lending</b>		
Undrawn formal standby facilities, credit lines and other commitments to lend	<u>151,830</u>	<u>284,137</u>
<b>21.2.5.1</b> These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the bank without the risk of incurring significant penalty or expense.		
<b>21.2.6 Commitments for acquisition of fixed assets</b>	<u>108,780</u>	<u>143,934</u>
<b>21.2.7</b> There are no changes in contingent liabilities since the date of annual unconsolidated audited financial statements for the year ended December 31, 2018 except as disclosed above and notes 32.1 and 32.2.		

## 22. DERIVATIVE INSTRUMENTS

Derivative instruments, such as Forward Securities Exchange Contracts, Interest Rate Swaps, and Options, are forward transactions that provide market making opportunities / hedge against the adverse movement of interest and exchange rates. Derivatives business also provides risk solutions for the existing and potential customers of the Bank.

The Bank has entered into a Cross Currency Swap transaction with its customers on back-to-back basis with an Authorized Derivative Dealer (ADD) without carrying any open position in its books. Specific approvals for the transactions have been granted by State Bank of Pakistan. Policies in line with SBP instructions have been formulated and are operative.

The Bank has also entered into Foreign Currency & Commodity Options from its Wholesale Banking Branch Bahrain for market making activities.

These transactions cover the aspects of both market making and hedging. The risk management related to derivative is disclosed in note 47 to the unconsolidated annual financial statements for the year ended December 31, 2018.

Accounting policies in respect of derivative financial instruments are described in note 4.5.2 of the unconsolidated annual financial statements for the year ended December 31, 2018.

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

## 22.1 Product analysis

(Un-audited) June 30, 2019								
Interest Rate Swaps		Options		Forward exchange contracts		Forward securities		
Notional principal	Mark to market	Notional principal	Mark to Market	Notional principal	Mark to Market	Notional principal	Mark to Market	
----- Rupees in '000 -----								
<b>With Banks for</b>								
Hedging	5,233,253	19,709	-	-	-	-	-	-
Market making	-	-	2,080,677	21,550	30,492,722	465,295	11,199,465	(3,266)
<b>With FIs other than banks</b>								
Hedging	-	-	-	-	-	-	-	-
Market making	-	-	-	-	-	-	-	-
<b>Total</b>								
Hedging	5,233,253	19,709	-	-	-	-	-	-
Market making	-	-	2,080,677	21,550	30,492,722	465,295	11,199,465	(3,266)
(Audited) December 31, 2018								
Interest Rate Swaps		Options		Forward exchange contracts		Forward securities		
Notional principal	Mark to market	Notional principal	Mark to Market	Notional principal	Mark to Market	Notional principal	Mark to Market	
----- Rupees in '000 -----								
<b>With Banks for</b>								
Hedging	3,992,763	16,931	-	-	-	-	-	-
Market making	-	-	2,631,433	(3,652)	34,627,442	211,933	1,703,671	(296)
<b>With FIs other than banks</b>								
Hedging	-	-	-	-	-	-	-	-
Market making	-	-	-	-	-	-	-	-
<b>Total</b>								
Hedging	3,992,763	16,931	-	-	-	-	-	-
Market making	-	-	2,631,433	(3,652)	34,627,442	211,933	1,703,671	(296)

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

		----- Un-audited ----- Half year ended	
		June 30, 2019	June 30, 2018
		----- Rupees in '000 -----	
<b>23.</b>	<b>MARK-UP / RETURN / INTEREST EARNED</b>	Note	
	On:		
	Loans and advances	<b>14,531,912</b>	8,501,111
	Investments	<b>4,110,443</b>	5,368,991
	Lendings to financial institutions	<b>34,693</b>	52,115
	Balances with other banks	<b>27,141</b>	3,490
	Securities purchased under resale agreements	<b>355,972</b>	84,657
		<b><u>19,060,161</u></b>	<u>14,010,364</u>
<b>24.</b>	<b>MARK-UP / RETURN / INTEREST EXPENSED</b>		
	Deposits	<b>12,094,303</b>	6,555,597
	Borrowings	24.1 <b>719,029</b>	292,423
	Securities sold under repurchase agreements	<b>1,839,197</b>	2,594,435
	Sub-ordinated loans	<b>467,297</b>	189,741
	Lease liability against right-of-use assets	3.1.2 <b>229,063</b>	-
		<b><u>15,348,889</u></b>	<u>9,632,196</u>
<b>24.1</b>	<b>Borrowings</b>		
	Export Refinancing Scheme (ERF)	<b>168,425</b>	121,448
	Long-Term Finance Facility (LTFF)	<b>14,725</b>	4,637
	Financing Facility for Storage of Agricultural Produce (FFSAP)	<b>1,656</b>	937
	Other short term borrowings	<b>534,223</b>	165,401
		<b><u>719,029</u></b>	<u>292,423</u>
<b>25.</b>	<b>FEE AND COMMISSION INCOME</b>		
	Branch banking customer fees	<b>89,416</b>	84,370
	Consumer finance related fees	<b>9,434</b>	19,627
	Card related fees (debit and credit cards)	<b>227,941</b>	134,632
	Credit related fees	<b>154,278</b>	119,381
	Investment banking fees	<b>38,550</b>	317,203
	Commission on trade	<b>254,988</b>	236,294
	Commission on guarantees	<b>175,055</b>	169,101
	Commission on cash management	<b>3,112</b>	2,379
	Commission on remittances including home remittances	<b>54,737</b>	46,596
	Commission on bancassurance	<b>71,172</b>	74,573
	Commission on distribution of mutual funds	<b>63,885</b>	84,966
	Commission on online Services	<b>80,764</b>	85,819
	Postage & Courier income	<b>7,305</b>	6,696
	Rebate income	<b>107,506</b>	66,119
	Rebate on primary dealership	<b>6,918</b>	4,118
		<b><u>1,345,061</u></b>	<u>1,451,874</u>

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

		----- Un-audited ----- Half year ended	
		June 30, 2019	June 30, 2018
		----- Rupees in '000 -----	
<b>26.</b>	<b>LOSS ON SALE OF SECURITIES - NET</b>		
	Realised		
	Unrealised - held for trading		
		<b>(368,497)</b>	(42,375)
		<b>(1,042)</b>	(891)
		<b>(369,539)</b>	(43,266)
<b>26.1</b>	<b>Realised (loss) / gain on:</b>		
	<b>Federal government securities</b>		
	Market treasury bills	6,015	(5,592)
	Pakistan investment bonds	<b>(334,668)</b>	(48,353)
	Ijara sukuk certificates	633	281
	<b>Shares</b>		
	Listed companies	<b>(28,543)</b>	15,659
	<b>Mutual fund units</b>	482	-
	<b>Foreign currency bonds</b>	<b>(12,416)</b>	(8,335)
	<b>Sukuk certificates</b>	-	3,965
		<b>(368,497)</b>	(42,375)
<b>27.</b>	<b>OTHER INCOME - NET</b>		
	Gain on sale of operating fixed assets - net	<b>68,171</b>	51,820

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

		----- Un-audited ----- Half year ended	
		June 30, 2019	June 30, 2018
Note		----- Rupees in '000 -----	
<b>28.</b>	<b>OPERATING EXPENSES</b>		
	<b>Total compensation expense</b>	<b>2,665,351</b>	2,434,466
	<b>Property expense</b>		
	Rent & taxes	142,544	540,568
	Insurance	5,275	4,072
	Utilities cost	131,737	145,619
	Security (including guards)	171,330	174,936
	Repair & maintenance (including janitorial charges)	120,102	100,192
	Depreciation	116,601	104,014
	Depreciation - Right of Use Assets	372,542	-
	Depreciation on non banking assets	234	650
		<b>1,060,365</b>	1,070,051
	<b>Information technology expenses</b>		
	Software maintenance	68,137	49,767
	Hardware maintenance	87,162	70,773
	Depreciation	82,775	69,446
	Amortisation	43,661	33,641
	Network charges	58,636	50,959
		<b>340,371</b>	274,586
	Other operating expenses		
	Directors' fees and allowances	3,450	6,900
	Legal & professional charges	83,295	26,736
	Insurance	70,045	55,365
	Outsourced services costs	73,030	68,678
	Travelling & conveyance	44,869	39,032
	NIFT clearing charges	19,521	18,556
	Depreciation	180,186	155,777
	Training & development	16,751	17,562
	Postage & courier charges	44,952	31,010
	Communication	51,011	52,189
	Stationery & printing	119,750	97,635
	Marketing, advertisement & publicity	120,628	229,460
	Donations	-	22,260
	Auditors Remuneration	3,529	5,031
	Staff Auto fuel & maintenance	108,435	69,003
	Bank Charges	29,630	27,422
	Stamp Duty	19,311	16,381
	Online verification charges	7,168	12,949
	Brokerage, fee and commission	15,619	34,206
	Card related fees (debit and credit cards)	4,135	3,251
	CDC and other charges	2,747	3,195
	Consultancy fee	21,441	29,537
	Deposit protection corporation	69,880	-
	Entertainment expenses	31,518	28,145
	Fee and Subscription	25,657	33,448
	Employees social security	3,867	4,238
	Generator fuel & maintenance	34,483	62,093
	Others	14,240	14,931
		<b>1,219,148</b>	1,164,990
		<b>5,285,235</b>	4,944,093

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

**28.1** Under the provision of section 5(2) of the Deposit Protection Corporation Act, 2016 (the Act), and DPC Circular No. 04 of 2018, the Bank is liable to pay annual premium, on quarterly basis, to the Deposit Protection Corporation, a subsidiary company of State Bank of Pakistan, @ 0.16% on eligible deposits as of December 31 of each preceding calendar year.

The Bank's eligible deposits as of December 31, 2018 are amounting to Rs.87,350.615 million on which total premium is payable of Rs.139.761 million per annum (Rs.34.940 million per quarter).

## 29. WORKERS' WELFARE FUND

Provision held at 2% of the higher of profit before tax or taxable income to the extent of operations carried out under Sindh Workers' Welfare Act, 2014. Due to loss before taxation, no provision has been recognized in these consolidated condensed interim financial statements.

## 30. OTHER CHARGES

Penalties imposed by State Bank of Pakistan  
Others

----- Un-audited -----  
Half year ended

June 30, June 30,  
2019 2018

----- Rupees in '000 -----

<b>50</b>	-
<b>198</b>	532
<b>248</b>	532

## 31. PROVISIONS AND WRITE OFFS - NET

Provision / (reversals) for diminution in value of investments  
Provisions against loans & advances - specific  
Provision against loans & advances - general  
Other reversals  
General (reversals) / provision - under IFRS-9

218,997 (31,653)  
435,704 83,999  
345 39,868  
(2,082) (42,368)  
(59,311) 108,086

**593,653** 157,932

## 32. TAXATION

Current  
Prior years  
Deferred

(364,341) (432,107)  
- -  
519,179 7,257

**154,838** (424,850)

### 32.1 Income Tax

#### 32.1.1 Pakistan Operations

During the year, Additional Commissioner Inland Revenue (ACIR) by issued amended orders for tax year 2016 and 2017. This was done by taking recourse of conducting tax audit or alternatively direct amendments in the deemed assessments contending that certain matters in the deemed assessments were not admissible as not conforming to the law and prejudiced the interest of revenue. As result of amendments in tax year 2016 and 2017 ACIR has raised additional demand of Rs.433.890 million and Rs.508.803 million respectively.

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

For both tax years, the Bank has not accepted the amendments and have filed appeals before the Commissioner Inland Revenue-Appeals where it is pending for hearing and decision.

## 32.1.2 Azad Jammu & Kashmir Operations

The Bank has commenced operations in Azad Jammu & Kashmir from tax year 2009 and has filed returns for the tax years 2009 to 2018 with the tax authorities of such region. The Commissioner has issued notices for amendment of assessment under section 122 of the Income Tax Ordinance, 2001 (as adopted in AJK Region) for the tax year 2011 to 2017. All assessments orders were rectified with Nil demand. However, such assessments are further amended under section 122(5A) of the Income Tax Ordinance, 2001 (as adopted in AJK and hereinafter refers to as 'the Ordinance') by the Commissioner Inland Revenue, CIR, for the tax year 2013 to 2017 and raised demand of Rs. 55.880 million. Based on the further amendments in tax years 2013 to 2017, CIR has increased mark-up earned on local advances and surplus funds, and dis-allowed fifty percent of allocated head office expense in each tax year, besides creating demand of Super Tax and Education Cess.

For said tax years, the Bank has not accepted further amendments and filed rectification application with CIR on grounds that amendments were made without considering the brought forward losses of Rs.128.223 million. Simultaneously, the Bank has also filed appeals before the Commissioner Inland Revenue-Appeals (the CIRA) where it is pending for hearing and decision. The management is confident that the appeals filed in respect of above years will be decided in the Bank's favor and accordingly no demand for payment would arise.

## 32.2 Sales tax

The Bank as a registered person under Sindh Sales Tax on Services Act, 2011 was issued an Order by the Assistant Commissioner Sindh Revenue Board AC-SRB creating a demand of Rs.48.838 million besides penalty of Rs.4.440 million against the Bank for alleged non-payment of Sindh sales tax on certain services / incomes (i.e. Bancassurance, Home Remittances under Pakistan Remittance Initiative Scheme, SBP rebates on Government securities, Rebates from foreign correspondent Banks, and FX gain on remittance by Western Union) on total amounting to Rs.277.488 million for the tax periods July 2011 to December 2013.

An appeal was filed before Commissioner (Appeals) Sindh Revenue Board, CA-SRB against the decision of AC-SRB which was decided in favor of the tax department except tax imposed on FX gain on remittance by Western Union. Thereafter, both the Bank and AC-SRB filed appeals before the Appellate Tribunal SRB against the decision of CA-SRB. Through its Order dated April 18, 2019, the Appellate Tribunal SRB quashed the demand raised by deciding the Bank's appeal in the Bank's favour and dismissing the AC-SRB's appeal.

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

		----- Un-audited -----			
		Quarter ended		Half year ended	
		June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
		----- Rupees in '000 -----			
<b>33. BASIC (LOSS) / EARNINGS PER SHARE</b>					
(Loss) / Profit after taxation for the period - attributable to ordinary equity holders of the Bank for diluted earnings	(475,082)	332,053	(441,677)	684,295	
Preference dividend paid for the year December 31, 2018 @ 12% p.a (2017: @ 12% p.a.)	-	-	(24,164)	(180,000)	
(Loss) / Profit after taxation for the period - attributable to ordinary equity holders of the Bank for basic earnings	<u>(475,082)</u>	<u>332,053</u>	<u>(465,841)</u>	<u>504,295</u>	
		----- Numbers -----			
Weighted average number of outstanding ordinary shares during the year for basic earnings	1,297,464,262	1,297,464,262	1,297,464,262	1,236,552,660	
		----- Rupee -----			
Basic (loss) / earnings per share	<u>(0.37)</u>	<u>0.26</u>	<u>(0.36)</u>	<u>0.41</u>	

33.1 During June 2018, the diluted earnings per share increased for the half year ended when taking the convertible preference shares into account, therefore the convertible preference shares are anti-dilutive and are excluded from the weighted average number of ordinary shares for the purpose of diluted earnings per share. Further, no impact of dilution has been taken for the quarter ended June 30, 2018, due to conversions of preference shares.

## 34. FAIR VALUE MEASUREMENTS

"Fair value" is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost.

The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined at lower of cost and the break-up value in accordance with the requirements of prudential regulations issued by SBP. Break-up value of unquoted equity securities is calculated with reference to the net assets of the investee company as per the latest available financial statements.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for assets and liabilities and reliable data regarding market rates for similar instruments.

The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 4.7.1 to the annual financial statements of the Bank for the year ended December 31, 2018.



# Notes to the Unconsolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature or in the case of customer loans and deposits are frequently repriced.

## 34.1 Fair value of financial assets

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

## 34.2 Valuation techniques used in determination of fair values within level 2

Item	Valuation approach and input used
Units of mutual funds	Fair values of investments in units of mutual funds are determined based on redemption prices disclosed at the Mutual Funds Association of Pakistan (MUFAP) as at the close of the business days.
Shares of listed companies	Fair values of investments in listed equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange.
Pakistan Investment Bonds / Market Treasury Bills	Fair values of Pakistan Investment Bonds and Market Treasury Bills are derived using PKRV rates (Reuters page).
Term Finance Certificates and Bonds	Investments in debt securities (comprising Term Finance Certificates, Bonds and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the SECP.
Derivatives	The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant underlying parameters including foreign currencies involved, interest rates, yield curves, volatilities, contracts duration, etc.

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

### 34.3 Fair value of non-financial assets

Valuation techniques used in determination of fair values within level 3

Fixed assets - Land and build ing	Fixed assets and Non-banking assets under satisfaction of claims are carried at revalued amounts determined by professional valuers (level 3 measurement) based on their assessment of the market values as disclosed in notes 11 and 14 respectively. The valuations are conducted by the valuation experts appointed by the Bank which are also on the panel of State Bank of Pakistan. The valuation experts used a market based approach to arrive at the fair value of the Bank's properties. The market approach used prices and other relevant information generated by market transactions involving identical or comparable or similar properties. These values are adjusted to reflect the current condition of the properties. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in these financial statements.
Non-banking assets under satisfaction of claims	

34.4 The Bank's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred. There were no transfers between levels 1 and 2 during the period ended June 30, 2019.

34.5 The following table provides an analysis of financial and non financial assets that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

	June 30, 2019			
	Level 1	Level 2	Level 3	Total
----- Un-audited -----				
----- Rupees in '000 -----				
<b>On balance sheet financial instruments</b>				
Financial assets classified as 'held-for-trading securities'				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	26,149,093	-	26,149,093
Financial assets classified as 'available-for-sale securities'				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	65,205,535	-	65,205,535
Shares	2,730,200	-	-	2,730,200
Non Government Debt Securities	-	630,068	-	630,068
Foreign Securities	-	2,377,714	-	2,377,714
	2,730,200	68,213,317	-	70,943,517
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	-	31,755,226	-	31,755,226
	2,730,200	126,117,636	-	128,847,836
<b>Non-Financial Assets</b>				
Revalued fixed assets	-	-	3,817,188	3,817,188
Non-banking assets acquired in satisfaction of claims	-	-	719,184	719,184
	-	-	4,536,372	4,536,372
<b>Off balance sheet financial instruments</b>				
Commitments in respect of:				
Forward foreign exchange contracts				
Purchase	-	22,914,692	-	22,914,692
Sale	-	9,310,361	-	9,310,361
Forward government securities				
Purchase	-	1,575,756	-	1,575,756
Sale	-	9,628,783	-	9,628,783
Derivative instruments				
Cross currency swaps (notional principal)	-	7,512,775	-	7,512,775
Options (notional principal)	-	2,102,227	-	2,102,227

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
----- Un-audited -----				
----- Rupees in '000 -----				
<b>On balance sheet financial instruments</b>				
<b>Financial assets classified as 'held-for-trading securities'</b>				
<b>Financial assets - measured at fair value</b>				
<b>Investments</b>				
Federal Government Securities	-	41,368,514	-	41,368,514
<b>Financial assets classified as 'available-for-sale securities'</b>				
<b>Financial assets - measured at fair value</b>				
<b>Investments</b>				
Federal Government Securities	-	52,541,122	-	52,541,122
Shares	2,556,903	-	-	2,556,903
Non Government Debt Securities	-	679,621	-	679,621
Foreign Securities	-	5,868,382	-	5,868,382
	2,556,903	59,089,125	-	61,646,028
<b>Financial assets - disclosed but not measured at fair value</b>				
<b>Investments</b>				
Federal Government Securities	-	39,836,881	-	39,836,881
	2,556,903	140,294,520	-	142,851,423
<b>Non-Financial Assets</b>				
Revalued fixed assets	-	-	3,209,693	3,209,693
Non-banking assets acquired in satisfaction of claims	-	-	185,290	185,290
	-	-	3,394,983	3,394,983
<b>Off balance sheet financial instruments</b>				
<b>Commitments in respect of:</b>				
<b>Forward foreign exchange contracts</b>				
Purchase	-	21,946,624	-	21,946,624
Sale	-	13,319,774	-	13,319,774
<b>Forward government securities</b>				
Purchase	-	209,530	-	209,530
Sale	-	1,494,554	-	1,494,554
<b>Derivative instruments</b>				
Cross currency swaps (notional principal)	-	5,254,792	-	5,254,792
Options (notional principal)	-	2,627,781	-	2,627,781

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

## 35. SEGMENT INFORMATION

### 35.1 Segment Details with respect to business activities

	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Others	Total
----- Rupees in '000 -----						
<b>June 30, 2019 (Un-audited)</b>						
<b>Profit &amp; Loss</b>						
Net mark-up/return/profit	-	1,537,131	(2,723,969)	4,898,110	-	3,711,272
Inter segment revenue - net	-	(4,503,195)	7,886,625	(3,383,430)	-	-
Non mark-up / return / interest income	38,423	123,961	881,069	459,725	68,171	1,571,349
Total Income	38,423	(2,842,103)	6,043,725	1,974,405	68,171	5,282,621
Segment direct expenses	53,054	64,703	2,853,360	425,501	271,264	3,667,882
Inter segment expense allocation	-	151,343	855,650	610,608	-	1,617,601
Total expenses	53,054	216,046	3,709,010	1,036,109	271,264	5,285,483
Provisions	-	211,385	92,382	289,886	-	593,653
Profit before tax	(14,631)	(3,269,534)	2,242,333	648,410	(203,093)	(596,515)
<b>June 30, 2019 (Un-audited)</b>						
<b>Balance Sheet</b>						
Cash & Bank balances	-	25,767,544	11,289,645	-	-	37,057,189
Investments	-	136,623,291	-	-	-	136,623,291
Net inter segment lending	-	-	164,387,218	-	489,036	164,876,254
Lendings to financial institutions	-	4,598,062	-	-	-	4,598,062
Advances - performing	-	-	92,844,661	151,262,484	-	244,107,145
Advances - non-performing	-	-	2,843,872	6,656,542	-	9,500,414
Advances - provision - net	-	-	(645,373)	(2,941,625)	-	(3,586,998)
	-	-	95,043,160	154,977,401	-	250,020,561
Others	-	4,293,679	2,779,461	(4,338,088)	25,068,477	27,803,529
<b>Total Assets</b>	-	171,282,576	273,499,484	150,639,313	25,557,513	620,978,886
Borrowings	-	32,466,081	5,031,596	15,091,178	-	52,588,855
Subordinated debt	-	7,495,800	-	-	-	7,495,800
Deposits & other accounts	-	-	261,817,340	99,288,036	-	361,105,376
Net inter segment borrowing	-	130,941,523	-	33,934,730	-	164,876,253
Others	-	379,171	6,650,547	2,325,369	9,731,572	19,086,659
<b>Total liabilities</b>	-	171,282,575	273,499,483	150,639,313	9,731,572	605,152,943
Equity	-	-	-	-	15,825,942	15,825,942
<b>Total Equity &amp; liabilities</b>	-	171,282,575	273,499,483	150,639,313	25,557,514	620,978,885
Contingencies & Commitments	-	49,747,158	35,455,162	16,295,505	108,779	101,606,604

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Others	Total
----- Rupees in '000 -----						
<b>June 30, 2018 (Un-audited)</b>						
<b>Profit &amp; Loss</b>						
Net mark-up/return/profit	-	2,567,663	(1,567,831)	3,378,336	-	4,378,168
Inter segment revenue - net	-	(2,733,385)	4,553,866	(1,820,481)	-	-
Non mark-up / return / interest income	317,437	229,046	844,961	412,453	51,820	1,855,717
Total Income	317,437	63,324	3,830,996	1,970,308	51,820	6,233,885
Segment direct expenses	53,866	92,749	2,342,675	748,319	470,423	3,708,032
Inter segment expense allocation	-	108,842	508,510	641,424	-	1,258,776
Total expenses	53,866	201,591	2,851,185	1,389,743	470,423	4,966,808
Provisions	-	(31,653)	46,512	77,355	65,718	157,932
Profit before tax	263,571	(106,614)	933,299	503,210	(484,321)	1,109,145
<b>December 31, 2018 (Audited)</b>						
<b>Balance Sheet</b>						
Cash & Bank balances	-	26,330,603	6,748,812	-	-	33,079,415
Investments	-	148,689,974	-	-	-	148,689,974
Net inter segment lending	-	-	142,567,445	-	6,556,733	149,124,178
Lendings to financial institutions	-	1,937,347	-	-	-	1,937,347
Advances - performing	-	-	93,802,563	155,702,540	-	249,505,103
Advances - non-performing	-	-	1,647,085	3,995,026	-	5,642,111
Advances - provision - net	-	-	(527,295)	(2,629,001)	-	(3,156,296)
	-	-	94,922,353	157,068,565	-	251,990,918
Others	-	2,622,494	1,707,032	2,587,220	14,139,676	21,056,422
<b>Total Assets</b>	-	179,580,418	245,945,642	159,655,785	20,696,409	605,878,254
Borrowings	-	80,051,504	4,290,751	12,216,408	-	96,558,663
Subordinated debt	-	7,496,800	-	-	-	7,496,800
Deposits & other accounts	-	-	232,859,517	88,553,746	-	321,413,263
Net inter segment borrowing	-	91,475,842	-	57,648,336	-	149,124,178
Others	-	556,272	8,795,374	1,237,295	5,079,383	15,668,324
<b>Total liabilities</b>	-	179,580,418	245,945,642	159,655,785	5,079,383	590,261,228
Equity	-	-	-	-	15,617,026	15,617,026
<b>Total Equity &amp; liabilities</b>	-	179,580,418	245,945,642	159,655,785	20,696,409	605,878,254
<b>Contingencies &amp; Commitments</b>	-	43,239,446	34,959,767	21,114,506	143,933	99,457,652

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

## 38. RELATED PARTY TRANSACTIONS

The Bank has related party relationship with its associates, parent, subsidiaries, companies having common directors, companies in which parent holds more than 20% shares, employee benefit plans, and its key management personnel (including their associates). The details of investments in subsidiaries and associates are stated in note 5.2 to these unconsolidated financial statements.

Contributions to the accounts in respect of staff retirement benefits are made in accordance with terms of the contribution plans. Remuneration of the key management personnel are in accordance with the terms of their employment. Other transactions are carried out as per agreed terms.

The details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these unconsolidated financial statements are as follows:

	As at June 30, 2019 (Un-audited)				As at December 31, 2018 (Audited)			
	Parent	Directors	Key management personnel	Other related parties	Parent	Directors	Key management personnel	Other related parties
	(Rupees in '000)				(Rupees in '000)			
<b>Lendings to financial institutions</b>								
Opening balance	-	-	-	-	-	-	-	-
Addition during the year	-	-	-	-	-	-	-	-
Reduction during the year	-	-	-	-	-	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-	-
<b>Investments</b>								
Opening balance	-	-	-	1,964,110	-	-	-	1,928,803
Investment made during the period / year	-	-	-	48,972	-	-	-	180,000
Disposal / disposed of during the period / year	-	-	-	(81,143)	-	-	-	(85,240)
Transfer in / (out) - net	-	-	-	-	-	-	-	-
Closing balance	-	-	-	2,155,059	-	-	-	1,984,110
Provision for diminution in value of investments	-	-	-	65,022	-	-	-	65,022
<b>Advances</b>								
Opening balance	-	7,223	448,575	2,821,685	-	5,505	394,773	2,114,695
Addition during the period / year	-	5,104	28,300	4,723,424	-	28,321	297,001	6,984,300
Repaid during the period / year	-	(10,605)	(60,989)	(5,342,119)	-	(25,203)	(659,373)	(6,351,154)
Transfer in / (out) - net	-	-	(9,552)	146,334	-	16,174	-	163,764
Closing balance	-	1,722	404,655	2,419,241	-	7,223	448,575	2,297,605
<b>Fixed Assets</b>								
Purchase of building	-	-	607,289	-	-	-	7,223	-
Cost of disposal	-	-	-	-	-	-	4,546	-
Accumulated depreciation of disposal	-	-	-	-	-	-	(3,677)	-
WDV of disposal	-	-	-	-	-	-	869	-
<b>Other Assets</b>								
Value added tax accrued	189	315	-	76,082	-	241	612	72,735
Receivable against bancassurance / bankatkalul	-	-	-	26,192	-	-	-	74,935
Advance for subscription of TFC - unsecured	-	-	40,628	-	-	-	-	-
Acceptances	-	-	-	2,489	-	-	-	-
Prepaid insurance	-	-	-	97,806	-	-	-	3,468
Other receivable	-	-	10,566	-	-	-	9,106	-
Provision against other assets	-	-	-	2,438	-	-	-	2,438
<b>Borrowings</b>								
Opening balance	-	-	-	4,800,000	-	-	-	4,000,000
Borrowings during the period / year	-	-	-	164,652,517	-	-	-	280,950,000
Settled during the period / year	-	-	-	(105,333,101)	-	-	-	(280,950,000)
Closing balance	-	-	-	3,967,416	-	-	-	2,850,000

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

	As at June 30, 2019 (Un-audited)					As at December 31, 2018 (Audited)						
	Parent	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Parent	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
<b>Deposits and other accounts</b>												
Opening balance	336,515	28,308	74,950	1,606,413	-	9,652,833	1,502,678	75,080	42,502	1,712,553	-	8,227,301
Received during the period / year	3,249,808	144,758	742,788	248,584,088	-	158,718,761	7,208,060	397,578	1,762,699	409,842,669	-	160,708,700
Withdrawn during the period / year	(2,881,161)	(117,889)	(708,181)	(247,682,814)	-	(158,880,259)	(8,374,123)	(444,420)	(1,128,031)	(409,949,009)	-	(158,386,796)
Transfer in / (out) / net	(4,089)	-	(9,353)	-	-	-	-	70	(2,220)	-	-	119,628
Closing balance	605,162	51,072	101,624	2,497,697	-	9,491,358	336,515	28,308	74,950	1,606,413	-	9,652,833
<b>Subordinated loans</b>												
	-	-	-	-	-	889,066	-	-	-	-	-	989,744
<b>Other Liabilities</b>												
Interest / return / markup payable on deposits	185	6	110	1,307	-	100,568	-	6	333	129	-	42,582
Interest / return / markup payable on borrowings	-	-	-	-	-	3,801	-	-	-	-	-	1,365
Interest / return / markup payable on subordinated loans	-	-	-	-	-	1,956	-	-	-	-	-	1,541
Accrued interest on subordinated loans	-	-	-	-	-	2,498	-	-	-	-	-	1,541
Payable to defined benefit plan	-	-	-	6,589	-	168,433	-	-	-	4,609	-	102,404
Others payable	-	-	-	-	-	-	-	-	-	-	-	-
<b>Represented By</b>												
Share Capital	9,733,073	17,417	900	-	-	81,678	9,733,073	17,417	900	-	-	81,678
<b>Contingencies and Commitments</b>												
Letter of guarantee	-	-	-	-	-	15,401	-	-	-	-	-	19,201
Letter of Credit	-	-	-	-	-	2,913	-	-	-	-	-	38,440
<b>For the period ended June 30, 2019 (Un-audited)</b>												
	Parent	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Parent	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
<b>For the period ended June 30, 2018 (Un-audited)</b>												
Mark-up / return / interest earned	-	88	8,742	-	-	165,123	-	678	8,056	-	-	154,914
Fee and commission income	-	74	151	-	-	132,940	-	15	51	21,000	-	164,165
Dividend income	-	-	-	-	-	47,181	-	-	-	-	-	6,158
Gain on sale of securities - Net	-	-	-	-	-	500	-	-	-	-	-	-
Other income	-	-	-	1,083	-	-	-	-	-	3,837	-	-
Mark-up / return / interest paid	19,483	1,103	1,628	110,595	-	677,948	64,890	2,382	686	50,092	-	233,777
Remuneration paid	-	-	288,669	-	-	-	-	-	181,121	-	-	-
Commission / charges paid	-	-	199	1,416	-	-	-	-	1,479	-	-	-
Preference Dividend Paid	23,419	3,450	-	-	-	174,450	6,900	-	-	-	-	-
Non-executive directors' fee	-	-	-	-	-	104,965	-	-	-	-	-	88,387
Net charge / reversal for defined contribution plans	-	-	-	-	-	65,939	-	-	-	-	-	84,109
Net charge / reversal for defined benefit plans	-	-	-	2,945	-	15,000	838	-	-	3,444	-	24,000
Capital expense	-	-	-	-	-	15,000	-	-	-	-	-	-
Provision for doubtful debts	1,211	388	-	401	-	621	2,806	322	-	684	-	389
Other expenses	-	-	-	-	-	-	-	-	-	536	-	-
Insurance premium paid	-	-	-	-	-	272,416	-	-	-	-	-	243,249
Insurance claims settled	-	-	-	-	-	6,548	-	-	-	-	-	7,789
Payment to staff benefit plan	-	-	-	-	-	-	-	-	-	-	-	175,118



# Notes to the Unconsolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

	(Un-audited) June 30, 2019	(Audited) December 31, 2018
Note	----- Rupees in '000 -----	
<b>37. CAPITAL ADEQUACY, LEVERAGE RATIO &amp; LIQUIDITY REQUIREMENTS</b>		
<b>Minimum Capital Requirement (MCR):</b>	<b>10,119,242</b>	10,119,242
<b>Capital Adequacy Ratio (CAR):</b>		
Eligible Common Equity Tier 1 (CET 1) Capital	13,387,601	13,417,429
Eligible Additional Tier 1 (ADT 1) Capital	2,500,000	2,500,000
Total Eligible Tier 1 Capital	15,887,601	15,917,429
Eligible Tier 2 Capital	4,256,970	4,260,437
Total Eligible Capital (Tier 1 + Tier 2)	20,144,572	20,177,866
<b>Risk Weighted Assets (RWAs):</b>		
Credit Risk	147,881,939	148,178,402
Market Risk	1,060,034	1,895,587
Operational Risk	17,946,043	17,946,043
Total	166,888,016	168,020,032
<b>Common Equity Tier 1 Capital Adequacy ratio</b>	<b>8.02%</b>	7.99%
<b>Tier 1 Capital Adequacy Ratio</b>	<b>9.52%</b>	9.47%
<b>Total Capital Adequacy Ratio</b>	<b>12.07%</b>	12.01%
<b>Leverage Ratio (LR):</b>		
Eligible Tier-1 Capital	15,887,601	15,917,429
Total Exposures	491,795,412	484,967,925
Leverage Ratio	3.23%	3.28%
<b>Liquidity Coverage Ratio (LCR):</b>		
Total High Quality Liquid Assets	65,634,767	55,404,403
Total Net Cash Outflow	57,758,920	52,473,282
Liquidity Coverage Ratio	114%	106%
37.1		
<b>Net Stable Funding Ratio (NSFR):</b>		
Total Available Stable Funding	302,639,747	298,128,452
Total Required Stable Funding	281,516,420	280,794,715
Net Stable Funding Ratio	108%	106%

## 38. GENERAL

38.1 These unconsolidated condensed interim financial statements have been prepared in accordance with the revised format for financial statements of Banks issued by the SBP through BPRD Circular no. 5 dated March 22, 2019.

38.2 The figures in the unconsolidated condensed interim financial statements have been rounded off to the nearest thousand.

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

## 39. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated condensed interim financial statements were authorised for issue by the Board of Directors of the Bank in their meeting held on August 27, 2019.

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President and  
Chief Executive Officer

Chief Financial  
Officer

Director

Director

Chairman

# Consolidated Condensed Interim Financial Statements

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of JS Bank Limited

Report on review of Consolidated Condensed Interim Financial Statements

### *Introduction*

We have reviewed the accompanying consolidated condensed interim statement of financial position of **JS Bank Limited** as at **30 June 2019**, the related consolidated condensed interim statement of profit and loss, consolidated condensed interim statement of comprehensive income, consolidated condensed interim statement of changes in equity, and consolidated condensed interim statement of cash flows, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "consolidated condensed interim financial statements"). Management is responsible for the preparation and presentation of these consolidated condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on the financial statements based on our review. The figures of the consolidated condensed interim profit and loss account and consolidated condensed interim statement of comprehensive income for the three months ended 30 June 2019 and 30 June 2018 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended 30 June 2019.

### *Scope of review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the audit resulting in this independent auditor's report is Shaikh Ahmed Salman.



**Chartered Accountants**

Place: Karachi

Date: 27 August 2019

# Consolidated Condensed Interim Statement of Financial Position

As at June 30, 2019

		(Un-audited) June 30, 2019	(Audited) December 31, 2018
	Note	----- Rupees in '000 -----	
<b>ASSETS</b>			
Cash and balances with treasury banks	6	34,742,060	32,111,176
Balances with other banks	7	2,522,110	978,024
Lendings to financial institutions	8	4,598,062	1,937,347
Investments	9	137,162,406	149,601,215
Advances	10	250,280,425	252,308,117
Fixed assets	11	12,596,557	6,947,725
Intangible assets	12	2,162,922	2,206,512
Deferred tax assets - net	13	632,473	408,992
Other assets	14	14,934,333	14,042,139
		<b>459,631,348</b>	<b>460,541,247</b>
<b>LIABILITIES</b>			
Bills payable	15	3,913,734	3,519,924
Borrowings	16	52,588,855	96,558,663
Deposits and other accounts	17	358,607,691	319,806,852
Liabilities against assets subject to finance lease		-	-
Subordinated debt	18	7,495,800	7,496,800
Deferred tax liabilities		-	-
Other liabilities	19	18,198,597	14,720,189
		<b>440,804,677</b>	<b>442,102,428</b>
<b>NET ASSETS</b>		<b>18,826,671</b>	<b>18,438,819</b>
<b>REPRESENTED BY</b>			
Share capital		10,119,242	10,119,242
Reserves		1,764,384	1,712,170
Surplus / (deficit) on revaluation of assets - net of tax	20	825	(822,532)
Unappropriated profit		5,291,632	5,825,742
		<b>17,176,083</b>	<b>16,834,622</b>
Non-controlling interest		1,650,588	1,604,197
		<b>18,826,671</b>	<b>18,438,819</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	21		

The annexed notes from 1 to 40 form an integral part of these consolidated condensed interim financial statements.

President and  
Chief Executive Officer

Chief Financial  
Officer

Director

Director

Chairman

# Consolidated Condensed Interim Profit and Loss Account (Un-audited)

For the half year ended June 30, 2019

	Note	Quarter ended		Half year ended	
		June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
----- Rupees in '000 -----					
Mark-up / return / interest earned	23	9,745,271	7,161,169	19,106,531	14,045,657
Mark-up / return / interest expensed	24	8,060,987	4,813,603	15,321,030	9,584,412
Net mark-up / interest income		1,684,284	2,347,566	3,785,501	4,461,245
<b>NON MARK-UP / INTEREST INCOME</b>					
Fee, commission and brokerage income	25	823,203	728,869	1,606,586	1,812,236
Dividend income		95,873	80,689	126,124	97,007
Foreign exchange (Loss) / income		(102,580)	156,762	183,870	240,038
Income from derivatives - net		437,737	18,645	301,903	80,756
(Loss) / gain on securities - net	26	(323,567)	(24,348)	(368,999)	44,723
Share of profit from associates		8,220	4,186	13,804	4,186
Other income - net	27	50,057	24,843	81,159	74,545
<b>Total non mark-up / interest income</b>		<b>988,943</b>	<b>989,646</b>	<b>1,944,447</b>	<b>2,353,491</b>
<b>Total Income</b>		<b>2,673,227</b>	<b>3,337,212</b>	<b>5,729,948</b>	<b>6,814,736</b>
<b>NON MARK-UP / INTEREST EXPENSES</b>					
Operating expenses	28	3,001,127	2,583,280	5,783,747	5,441,560
Workers' welfare fund	29	(160)	11,970	566	24,291
Other charges	30	193	123	248	532
<b>Total non-mark-up / interest expenses</b>		<b>3,001,160</b>	<b>2,595,373</b>	<b>5,784,561</b>	<b>5,466,383</b>
(Loss) / income before provisions		(327,933)	741,839	(54,613)	1,348,353
Provisions and write offs - net	31	365,136	139,781	593,653	131,737
Extraordinary / unusual items		-	-	-	-
<b>(LOSS) / PROFIT BEFORE TAXATION</b>		<b>(693,069)</b>	<b>602,058</b>	<b>(648,266)</b>	<b>1,216,616</b>
Taxation	32	107,349	(266,272)	73,620	(492,636)
<b>(LOSS) / PROFIT AFTER TAXATION</b>		<b>(585,720)</b>	<b>335,786</b>	<b>(574,646)</b>	<b>723,980</b>
<b>Attributable to:</b>					
Equity holders of the Bank		(544,248)	335,948	(523,393)	711,991
Non-controlling interest		(41,472)	(162)	(51,253)	11,989
		<b>(585,720)</b>	<b>335,786</b>	<b>(574,646)</b>	<b>723,980</b>
----- Rupee -----					
<b>Basic and diluted (loss) / earnings per share</b>	33	<b>(0.42)</b>	0.26	<b>(0.42)</b>	0.43

The annexed notes from 1 to 40 form an integral part of these consolidated condensed interim financial statements.

President and  
Chief Executive Officer

Chief Financial  
Officer

Director

Director

Chairman

# Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited)

For the half year ended June 30, 2019

	Quarter ended		Half year ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	----- Rupees in '000 -----			
		(Restated)		(Restated)
<b>(Loss) / profit after taxation for the period</b>	<b>(585,720)</b>	335,786	<b>(574,646)</b>	723,980
<b>Other comprehensive income / (loss)</b>				
<b>Items that may be reclassified to profit and loss account in subsequent periods:</b>				
Effect of translation of net investment in foreign branch	48,209	18,670	52,214	31,298
Movement in (deficit) / surplus on revaluation of investments - net of tax	(5,667)	(789,876)	564,474	(913,203)
Movement in general provision under IFRS 9 - net	(17,748)	-	(27,107)	-
	(23,415)	(789,876)	537,367	(913,203)
	24,794	(771,206)	589,581	(881,905)
<b>Items that will not be reclassified to profit and loss account in subsequent periods:</b>				
Movement in surplus on revaluation of operating fixed assets - net of tax	365,354	384,273	365,354	384,273
Share of other comprehensive income from associated companies - net of tax	31,727	-	31,727	-
	397,081	384,273	397,081	384,273
<b>Total comprehensive (loss) / income</b>	<b>(163,845)</b>	<b>(51,147)</b>	<b>412,016</b>	<b>226,348</b>
<b>Attributable to:</b>				
Equity holders of the Bank	(214,545)	(9,050)	365,625	287,083
Non-controlling interest	50,700	(42,097)	46,391	(60,735)
	<b>(163,845)</b>	<b>(51,147)</b>	<b>412,016</b>	<b>226,348</b>

The annexed notes from 1 to 40 form an integral part of these consolidated condensed interim financial statements.

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# Consolidated Condensed Interim Statement of Changes in Equity

For the half year ended June 30, 2019

	Attributable to shareholders of the Bank										
	Share capital	Preference shares	Reserves		Surplus / (Deficit) on revaluation of			Unappropriated profit	Sub-total	Non-controlling interest	Total
			Statutory reserve	Exchange translation	Investments	Fixed assets	Non banking assets				
	Rupees in '000										
<b>Balance as at December 31, 2017 - audited</b>	8,619,242	1,500,000	1,528,768	12,219	190,759	589,839	95,050	5,463,357	17,999,234	1,688,680	19,667,914
<b>Total comprehensive income for the half year ended June 30, 2018 - un-audited</b>											
Profit after taxation	-	-	-	31,296	(840,479)	384,273	-	711,991	711,991	11,989	723,980
Other comprehensive income / (loss) - net of tax	-	-	-	31,296	(840,479)	384,273	-	711,991	(424,508)	(72,724)	(497,632)
Transfer to statutory reserve	-	-	136,859	-	-	-	-	-	-	(136,859)	-
<b>Transfer from surplus on revaluation of assets to unappropriated profit - net of tax</b>											
Fixed assets	-	-	-	-	-	(9,298)	-	7,701	(1,597)	1,597	-
Non-banking assets acquired in satisfaction of claims	-	-	-	-	-	-	(107)	107	-	-	-
<b>Transaction with owners recorded directly in equity</b>											
Issuance of ordinary shares on conversion of preference shares during the period	2,250,000	-	-	-	-	-	-	-	2,250,000	-	2,250,000
Discount on issue of ordinary shares during the period	(750,000)	-	-	-	-	-	-	-	(750,000)	-	(750,000)
	1,500,000	-	-	-	-	-	-	-	1,500,000	-	1,500,000
Preference shares cancelled on conversion into ordinary shares during the period	-	(1,500,000)	-	-	-	-	-	-	(1,500,000)	-	(1,500,000)
Preference dividend for the year ended December 31, 2017 @ 12% p.a.	-	-	-	-	-	-	-	(180,000)	(180,000)	-	(180,000)
<b>Balance as at June 30, 2018 - un-audited (restated)</b>	10,119,242	-	1,665,627	43,517	(649,720)	964,814	94,943	5,866,297	18,104,720	1,609,542	19,714,262
<b>Total comprehensive income for the half year ended December 31, 2018</b>											
Loss / profit after taxation	-	-	-	-	-	-	-	(96,839)	(96,839)	11,894	(84,945)
Other comprehensive (loss) / income - net of tax	-	-	-	27,417	(1,424,469)	208,670	(2,086)	18,806	(1,171,662)	(18,836)	(1,190,498)
	-	-	-	27,417	(1,424,469)	208,670	(2,086)	(78,033)	(1,268,501)	(6,942)	(1,275,443)
Transfer to statutory reserve	-	-	(24,391)	-	-	-	-	-	-	24,391	-
<b>Transfer from surplus on revaluation of assets to unappropriated profit - net of tax</b>											
Fixed assets	-	-	-	-	-	(14,685)	-	13,088	(1,597)	1,597	-
Non-banking assets acquired in satisfaction of claims	-	-	-	-	-	-	-	1	(1)	-	-
<b>Balance as at December 31, 2018 - audited</b>	10,119,242	-	1,641,236	70,934	(2,074,189)	1,158,799	92,858	5,825,742	16,834,622	1,604,197	18,438,819
<b>Total comprehensive income for the half year ended June 30, 2019 - un-audited</b>											
Loss after taxation	-	-	-	-	-	-	-	(623,389)	(623,389)	(51,253)	(674,642)
Other comprehensive income - net of tax	-	-	-	52,214	567,012	269,784	-	8	(989,018)	97,644	(891,662)
	-	-	-	52,214	567,012	269,784	-	(623,385)	(365,825)	46,391	(412,016)
<b>Transfer from surplus on revaluation of assets to unappropriated profit - net of tax</b>											
Fixed assets	-	-	-	-	-	(13,398)	-	13,398	-	-	-
Non-banking assets acquired in satisfaction of claims	-	-	-	-	-	-	(41)	41	-	-	-
<b>Transaction with owners recorded directly in equity</b>											
Preference dividend paid for the year ended December 31, 2018 @ 12% p.a.	-	-	-	-	-	-	-	(24,164)	(24,164)	-	(24,164)
<b>Balance as at June 30, 2019 - un-audited</b>	10,119,242	-	1,641,236	123,148	(1,507,177)	1,415,185	92,817	5,291,632	17,176,083	1,650,588	18,826,671

\* This represents reserve created under Section 21(i)(a) of the Banking Companies Ordinance, 1962.

The annexed notes from 1 to 40 form an integral part of these consolidated condensed interim financial statements.

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Chairman



# Consolidated Condensed Interim Cash Flow Statement (Un-audited)

For the half year ended June 30, 2019

Note	June 30, 2019	June 30, 2018
	----- Rupees in '000 ----- (Restated)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss) / profit before taxation	(648,266)	1,216,616
Less: Dividend income	(126,124)	(97,007)
Share of profit from associates	(13,804)	(4,186)
	<b>(788,194)</b>	<b>1,115,423</b>
<b>Adjustments:</b>		
Depreciation	28 419,460	359,696
Depreciation on non-banking assets	28 234	650
Depreciation - Right of Use Assets	417,392	-
Amortisation of intangible assets	28 45,905	35,071
Charge for defined benefit plan	65,939	84,109
Unrealised loss on revaluation of investments classified as held-for-trading - net	9,089	891
Provisions and write offs - net	31 593,653	131,737
Provision for workers' welfare fund	566	24,291
Unrealised gain on revaluation of derivative instruments	(506,275)	(142,582)
Mark-up / return / interest expensed on lease liability against right-of-use assets	276,349	3,992
Gain on sale of fixed assets - net	27 (72,802)	(58,550)
	<b>1,249,510</b>	<b>439,305</b>
	<b>461,316</b>	<b>1,554,728</b>
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	(2,657,548)	1,459,376
Held-for-trading securities	15,638,700	3,231,558
Advances	1,596,989	(44,737,441)
Other assets (excluding advance taxation)	(713,890)	(1,845,312)
	<b>13,864,251</b>	<b>(41,891,819)</b>
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	393,810	575,328
Borrowings	(45,148,134)	3,124,520
Deposits and other accounts	38,800,839	21,516,401
Other liabilities	(1,343,895)	2,620,274
	<b>(7,297,380)</b>	<b>27,836,523</b>
	<b>7,028,187</b>	<b>(12,500,568)</b>
Gratuity paid	-	(175,118)
Mark-up / return / interest expensed on lease liability against right-of-use assets paid	(276,349)	(3,992)
Income tax paid	(366,692)	(1,143,117)
<b>Net cash flows from / (used in) operating activities</b>	<b>6,385,146</b>	<b>(13,822,795)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investment in available-for-sale securities	(10,584,585)	18,726,114
Net investment in held-to-maturity securities	8,093,341	209,556
Investment in associated companies	(21,239)	(180,000)
Dividend received	122,496	75,303
Investments in fixed assets	(950,440)	(771,760)
Investments in intangible assets	(2,315)	(197,757)
Effect of translation of net investment in foreign branch	52,214	31,298
Proceeds from sale of fixed assets	108,113	85,019
<b>Net cash (used in) / flows from investing activities</b>	<b>(3,182,415)</b>	<b>17,977,773</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid on preference shares	(24,164)	(180,000)
Payment of lease liability against right of use assets	(181,018)	(4,152)
Sub-ordinated loans	(1,000)	(1,000)
	<b>(206,182)</b>	<b>(185,152)</b>
<b>Increase in cash and cash equivalents</b>	<b>2,996,549</b>	<b>3,969,826</b>
Cash and cash equivalents at beginning of the period	32,587,698	18,184,611
<b>Cash and cash equivalents at end of the period</b>	<b>35,584,247</b>	<b>22,154,437</b>

The annexed notes from 1 to 40 form an integral part of these consolidated condensed interim financial statements.

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# Notes to the Consolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

## 1. STATUS AND NATURE OF BUSINESS

### 1.1 The "Group" consists of:

#### 1.1.1 Holding Company: JS Bank Limited, Pakistan

JS Bank Limited (the Holding Company / the Bank / JSBL) is a banking company incorporated in Pakistan as a public limited company on March 15, 2006. The Bank is a subsidiary company of Jahangir Siddiqui & Co. Ltd. (JSCL) and its shares are listed on Pakistan Stock Exchange Limited (PSX). The Bank commenced its banking operations on December 30, 2006 and its registered office is situated at Shaheen Commercial Complex, Dr. Ziauddin Ahmed Road, Karachi.

The Holding Company is a scheduled bank, engaged in commercial banking and related services as described in the Banking Companies Ordinance, 1962 and is operating through 344 (December 31, 2018: 344) branches / sub-branches in Pakistan and one wholesale banking branch in Bahrain (December 31, 2018: one). The Pakistan Credit Rating Agency Limited (PACRA) has assigned the long-term entity rating of the Bank to AA- (Double A Minus) whereas short-term rating is maintained at 'A1+' (A One Plus), which is the highest possible short-term rating. The ratings denote a very low expectation of credit risk and indicate very strong capacity for timely payment of financial commitments.

#### 1.1.2 Jahangir Siddiqui Investment Bank Limited, JSIBL, (formerly Citicorp Investment Bank Limited) which was acquired by JSCL on February 01, 1999), and its holding company, JSCL, entered into a Framework Agreement with American Express Bank Limited, New York (AMEX) on November 10, 2005 for acquisition of its American Express Bank Limited - Pakistan Branches, (AEBL). Consequently, a new banking company, JSBL was incorporated on March 15, 2006 and a restricted Banking License was issued by the State Bank of Pakistan (SBP) on May 23, 2006.

A Transfer Agreement was executed on June 24, 2006 between JSIBL and JSBL for the transfer of entire business and undertaking of JSIBL to JSBL and a separate Transfer Agreement was also executed on June 24, 2006, between AMEX and JSBL for the transfer of AEBL's commercial banking business in Pakistan with all assets and liabilities (other than certain excluded assets and liabilities) (AEBL business). The shareholders of JSIBL and JSBL in their respective extra ordinary general meetings held on July 31, 2006 approved a Scheme of Amalgamation (the Scheme) under Section 48 of the Banking Companies Ordinance, 1962. The Scheme was initially approved by the Securities and Exchange Commission of Pakistan vide its letter No. SC/NBFC(J)-R/JSIBL/2006/517 dated September 28, 2006. Subsequently, the Scheme was sanctioned by the SBP vide its order dated December 02, 2006 and, in accordance therewith, the effective date of amalgamation was fixed at December 30, 2006.

The ultimate parent of the Group is Jahangir Siddiqui & Co. Ltd. which holds 75.02% shares of the Bank.

# Notes to the Consolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

## 1.1.3 Composition of the Group

	Ownership interest and voting power held by			
	2019		2018	
	The Group	NCI	The Group	NCI
<b>Subsidiary</b>				
JS Global Capital Limited	67.16%	32.84%	67.16%	32.84%
JS Investment Limited	65.16%	34.84%	65.16%	34.84%
JS ABAMCO Commodities Limited	65.16%	34.84%	65.16%	34.84%
<b>Associates</b>				
Omar Jibrán Engineering Industries Limited	9.60%	-	9.60%	-
Veda Transit Solutions (Private) Limited	8.00%	-	-	-
Intercity Touring Company (Private) Limited	9.12%	-	-	-

## 1.1.4 Subsidiary Companies

### JS Global Capital Limited (JSGCL)

JS Global Capital Limited, JSGCL, is principally owned by the Bank, holding 67.16% of its equity interest. The Bank acquired effective controlling interest in JSGCL on December 21, 2011 and April 15, 2016 of 51.05% and 16.11% respectively. The ownership interest has increased by 16.11%, without any change in the cost of investment, due to the fact that JSGCL has bought back its 11,993,000 ordinary shares out of its 50 million ordinary shares in 2016. JSGCL is a public listed company incorporated in Pakistan under the repealed Companies Ordinance, 1984. The shares of the JSGCL are listed on Pakistan Stock Exchange (PSX). Further, the JSGCL is a corporate member of PSX and member of Pakistan Mercantile Exchange. The principal business of the JSGCL is to carry out share brokerage, money market, forex and commodity brokerage, advisory and consultancy services. Other activities include investment in a mix of listed and unlisted equity and debt securities and reverse repurchase transactions. The registered office of the Company is situated at 17th Floor, The Centre, Plot No. 28, SB-5, Abdullah Haroon Road, Saddar, Karachi, Pakistan. The Company has ten branches (2018: eleven) in eight cities of Pakistan.

### JS Investments Limited (JSIL)

JS Investments Limited, JSIL, is principally owned by the Bank, holding 65.16% of its equity interest. The Bank acquired effective controlling interest in JSIL on November 01, 2012 and December 22, 2015 of 52.24% and 12.92% respectively. The ownership interest has increased by 12.92%, without any change in the cost of investment, due to the fact that JSIL has bought back its 19,828,182 ordinary shares out of its 100 million ordinary shares in 2016. JSIL is a public listed company incorporated in Pakistan on February 22, 1995 under the repealed Companies Ordinance, 1984. The shares of the JSIL are listed on the Pakistan Stock Exchange (PSX), formerly since April 24, 2007. The registered office of the Company is situated at The Centre, 19th Floor, Plot No. 28, SB-5, Abdullah Haroon Road, Saddar, Karachi.

The JSIL has obtained the license of an "Investment Advisor" and "Asset Management Company" (AMC) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). In addition, JSIL has also obtained registration to act as Pension Fund Manager under the Voluntary Pension System Rules, 2005.

# Notes to the Consolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

JSIL is an asset management company of the following funds:

## Open end funds:

- JS Value Fund
- JS Growth Fund
- Unit Trust of Pakistan
- JS Income Fund
- JS Islamic Fund
- JS Aggressive Asset Allocation Fund
- JS Fund of Funds
- JS KSE-30 Index Fund
- JS Islamic Income Fund
- JS Cash Fund
- JS Large Cap. Fund
- JS Islamic Hybrid Fund of Funds(JSIHFOF)
- JS Islamic Hybrid Fund of Funds -2 (JSIHFOF2)
- JS Islamic Dedicated Equity Fund

## Pension fund

- JS Pension Savings Fund
- JS Islamic Pension Savings Fund

These funds have been treated as related parties in these consolidated condensed interim financial statements.

## JS ABAMCO Commodities Limited

JS Bank owns JS ABAMCO Commodities Limited, JSACL, indirectly through its subsidiary JS Investment Limited (JSIL) which has 100% holding in JSACL. JSACL was incorporated on September 25, 2007 as a public unlisted company under the repealed Companies Ordinance, 1984 and is a wholly owned subsidiary company of JSIL (a subsidiary of Holding Company). The principal activities of JSACL are to deal and effectuate commodity contracts; to become member of commodity exchange including National Commodity Exchange Limited (NCEL) and to carry on the business as brokers, advisory and consultancy services, dealers and representative of all kinds of commodity contracts and commodity backed securities. The registered office of the JS ABAMCO is situated at The Centre, 19th Floor, Plot No. 28, SB-5, Abdullah Haroon Road, Saddar, Karachi.

### 1.1.5 Associated Companies

#### Omar Jibran Engineering Industries Limited (OJEIL)

The Bank has invested in the shares of Omar Jibran Engineering Industries Limited (OJEIL), a public unlisted company. The Bank has classified the investment as an associate on account of its significant influence over the investee company. OJEIL was incorporated on June 25, 1987 in Pakistan as an unquoted public limited company under the repealed Companies Ordinance, 1984. The registered office of the OJEIL is situated at DSU-10, Pakistan Steel Industries Estate Bin Qasim, Karachi. The OJEIL is mainly engaged in the manufacture and sale of automotive parts and armoring of vehicles.

# Notes to the Consolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

## **Veda Transit Solutions (Private) Limited**

The Bank has invested in the shares of VEDA Transit Solutions (Private) Limited (VEDA), a private limited company. The Bank has classified the investment as an associate on account of its significant influence over the investee company. VEDA was incorporated on June 10, 2016 in Pakistan as private limited company under the repealed Companies Ordinance, 1984. The registered office of the VEDA is situated at Raaziq Logistics Centre 16 KM, Multan Road, Near Dina Nath Stop, Lahore. The VEDA is mainly engaged in the rural / urban, intracity / intercity transportation of passenger and goods.

## **Intercity Touring Company (Private) Limited**

The Bank has invested in the shares of Intercity Touring Company (Private) Limited (ITC), a private limited company. The Bank has classified the investment as an associate on account of its significant influence over the investee company. ITC was incorporated on April 25, 2014 in Pakistan as private limited company under the repealed Companies Ordinance, 1984. The registered office of the ITC is situated at 147-P Gulberg III, Lahore. The ITC is mainly engaged in the transportation, touring, and logistics related services.

## **2. BASIS OF PRESENTATION**

### **2.1 Basis of Consolidation**

The basis of consolidation adopted in the preparation of these consolidated condensed interim financial statements are the same as those applied in the preparation of annual consolidated financial statements for the year ended December 31, 2018.

### **2.2 Statement of Compliance**

**2.1.1** These consolidated condensed interim financial statements have been prepared in accordance with approved accounting and reporting standards as applicable in Pakistan. These are comprised of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962;
- Provisions of and directives issued under the Companies Act, 2017; and
- Directives issued by the State Bank Pakistan (SBP) and the Securities & Exchange Commission of Pakistan (SECP) from time to time.

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017, or the directives issued by the SBP and the SECP differ with the requirements of IFRS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

# Notes to the Consolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

- 2.1.2 The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for banking companies vide BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' on banks vide its notification S.R.O 411(I)/2008 dated April 28, 2008. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated condensed interim financial statements.
- 2.1.3 IFRS10 "Consolidated Financial Statements" was made applicable from period beginning on or after January 01, 2015 vide S.R.O 633(I)/2014 dated July 10, 2014 by SECP. However, SECP has directed that the requirements of consolidation under section 228 of the Companies Act, 2017 and IFRS-10 "Consolidated Financial Statements" are not applicable in case of investment by companies in mutual funds established under trust structure, through S.R.O 56(I) /2016 dated January 28, 2016. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated condensed interim financial statements.
- 2.4. These consolidated condensed interim financial statements are presented in Pakistani Rupee, which is the Group's functional and presentation currency.
- 2.5. The consolidated condensed interim financial statements do not include all the information and disclosures required in the audited annual financial statements, and should be read in conjunction with the audited annual consolidated financial statements for the financial year ended December 31, 2018 except as disclosed below.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted in the preparation of these consolidated condensed interim financial statements are consistent with those applied in the preparation of the audited annual financial statements of the Group for the year ended December 31, 2018 except as disclosed below.

### 3.1 Changes in accounting policies

#### 3.1.1 Change in reporting format

The SBP vide BPRD Circular Letter No. 5 dated March 22, 2019 specified the new reporting format for the quarterly and half yearly financial statements of banking companies. The new format has revised the disclosure requirements of the Bank for the half year ended June 30, 2019 which has resulted in certain additional disclosures and reclassifications of the items in these consolidated condensed interim financial statements.

#### 3.1.2 Adoption of IFRS 16 - Leases

International Accounting Standards Board (IASB) has issued IFRS 16 'Leases' in January 2016 which supersedes IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

# Notes to the Consolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

The new standard sets out the principles for:

- Lessees to account for all leases under a single on-balance sheet model and governs recognition, measurement, presentation and disclosure of leases; and
- Lessor accounting which is substantially unchanged. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

Therefore, IFRS 16 did not have an impact for leases where the Group is a lessor.

The Group has adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application as January 01, 2019. Under this method, the standard has been applied retrospectively, with the cumulative effect of initially applying the standard, recognised at the date of initial application. Accordingly, adjustment to the carrying amount of assets and liabilities were recognised in the current period.

Upon adoption of IFRS 16, the lessees are required to recognise a lease liability for the obligation to make lease payments and a right-of-use (RoU) asset for the right to use the underlying asset for the lease term against a consideration. Under IAS 17, leased assets, under operating lease mode, were not recognised on bank's balance sheets and it only required lessees to recognise a periodic lease expense (rent) on a straight-line basis over the term for leases tenure and relevant lease commitments were disclosed.

New accounting policies of the Bank upon adoption of IFRS 16 are:

## **Right-of-use (RoU) assets**

At the commencement date of the lease, the right-of-use asset is initially measured at the present value of lease liability adjusted by the amount of prepaid lease payment recognized immediately before the date of initial application. Subsequently, RoU assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any premeasurement of lease liabilities. RoU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

## **Lease liability**

At the commencement date of the lease, the Group recognises lease liability measured at the present value of the consideration (lease payments) to be made over the lease term and is adjusted for lease prepayments. The lease payments are discounted using Group's incremental borrowing rates as at January 01, 2019. After the commencement date, the carrying amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made.

# Notes to the Consolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

The effect of adoption of IFRS 16 as at January 01, 2019 (increase / (decrease)) is as follows:

	January 01, 2019 Rupees in '000
<b>Assets</b>	
Right-of-use (RoU) asset	4,756,920
Fixed assets	(51,475)
Prepayments	(281,423)
Total Assets	<u>4,424,022</u>
<b>Liabilities</b>	
Lease liability	4,470,444
Liabilities against assets subject to finance lease	(46,422)
Total liabilities	<u>4,424,022</u>

The carrying amounts of the Group's right-of-use assets, lease liabilities and the movements during the period is as follows:

	RoU asset ----- Rupees in '000 -----	Lease liability ----- Rupees in '000 -----
	4,756,920	4,470,444
As at January 1, 2019	4,756,920	4,470,444
Additional impact arised during the period - net	542,629	542,629
Depreciation	(417,392)	-
Borrowing cost	-	265,917
Payments	-	(457,367)
As at June 30, 2019	<u>4,882,157</u>	<u>4,821,623</u>

Had this standard not been applied, assets and liabilities would have been lower by Rs 4,882.157 million and Rs.4,821.623 million respectively. Depreciation charge and mark-up expense would have been lower by Rs.417.392 million and Rs.265.917 million respectively.

### 3.2 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current period.

3.2.1 IFRS 16 - Leases has become effective for annual reporting periods commencing on or after January 01, 2019. The impact of the adoption of IFRS 16 on the Group's condensed interim financial statements is disclosed in note 3.1.2

There are certain new and amended standards, interpretations and amendments that are mandatory for the Group's accounting periods beginning on or after January 01, 2019 but are considered not to be relevant or do not have any significant effect on the Group's operations and therefore not detailed in these consolidated financial statements.

### 3.3 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective.

The following new standards and amendments to existing accounting standards will be effective from the dates mentioned below against the respective standard or amendment:



# Notes to the Consolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

## Effective date (reporting periods beginning on or after)

- IFRS 3, Business Combinations (Amendments)	January 01, 2020
- IAS 1, Presentation of Financial Statements (Amendments)	January 01, 2020
- IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 01, 2020

## Effective date (reporting periods ending on or after)

- IFRS 9, Financial Instruments (note 3.3.1)	June 30, 2019
----------------------------------------------	---------------

**3.3.1** Through S.R.O. 229 (I)/2019, dated February 14, 2019, the SECP has notified that IFRS 9 - Financial Instruments, has replaced the International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" which are applicable from reporting periods on or after June 30, 2019. However, State Bank of Pakistan has deferred the applicability of IFRS 9 through email dated July 23, 2019. Therefore, the Group has not considered the impact for adoption of IFRS 9 for its Pakistan operations in these consolidated condensed interim financial statements.

Further, the Group considers that as the Prudential Regulations and other SBP directives currently provide the accounting framework for the measurement and valuation of investments and provision against non performing loans and advances, the implementation of IFRS 9 may require changes in the regulatory regime and for this SBP would issue suitable guidance and instruction on the application of IFRS 9 for the banking sector of Pakistan.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of this consolidated condensed interim financial information is the same as that applied in the preparation of the consolidated financial statements for the year ended December 31, 2018.

## 5 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Group are consistent with those disclosed in the consolidated financial statements for the year ended December 31, 2018.

# Notes to the Consolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

	(Un-audited) June 30, 2019	(Audited) December 31, 2018
Note ----- Rupees in '000 -----		
<b>6. CASH AND BALANCES WITH TREASURY BANKS</b>		
<b>In hand</b>		
Local currency	5,994,485	4,415,856
Foreign currencies	1,110,046	488,292
	<u>7,104,531</u>	<u>4,904,148</u>
<b>With State Bank of Pakistan in:</b>		
Local currency current account	18,986,133	22,166,628
Foreign currency current account - non remunerative	1,048,341	785,958
Foreign currency deposit account - remunerative	3,417,602	2,409,442
	<u>23,452,076</u>	<u>25,362,028</u>
<b>With National Bank of Pakistan in:</b>		
Local currency current accounts	2,165,671	1,839,396
<b>National Prize Bonds</b>	2,019,782	5,604
	<u>34,742,060</u>	<u>32,111,176</u>
<b>7. BALANCES WITH OTHER BANKS</b>		
<b>In Pakistan</b>		
In current accounts	330,998	130,055
In deposit accounts	199,974	4,423
	<u>530,972</u>	<u>134,478</u>
<b>Outside Pakistan</b>		
In current accounts	820,150	733,889
In deposit accounts	1,171,020	109,784
	<u>1,991,170</u>	<u>843,673</u>
Less: General provision under IFRS 9	2,522,142	978,151
	(32)	(127)
Balances with other banks - net of provision	<u>2,522,110</u>	<u>978,024</u>
7.1 This represents general provision held under IFRS 9 by Bahrain branch of the Bank.		
<b>8. LENDINGS TO FINANCIAL INSTITUTIONS</b>		
Call money lendings	1,067,014	1,758,917
Due against bills re-discounting	-	182,742
Repurchase agreement lendings (Reverse Repo)	3,532,193	-
	<u>4,599,207</u>	<u>1,941,659</u>
Less: General provision under IFRS 9	(1,145)	(4,312)
Lending to Financial Institutions - net of provision	<u>4,598,062</u>	<u>1,937,347</u>
8.1 This represents general provision held under IFRS 9 by Bahrain branch of the Bank.		

# Notes to the Consolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

	(Un-audited) June 30, 2019				(Audited) December 31, 2018			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
9. INVESTMENTS	Rupees in '000							
9.1 Investments by type								
<b>Held-to-trading securities</b>								
Federal Government Securities	26,150,135	-	(1,042)	26,149,093	41,381,420	-	(12,906)	41,368,514
Shares	206,202	-	(4,710)	201,492	1,037,824	-	(44,012)	993,812
Non Government Debt Securities	-	-	-	-	133,616	-	(280)	133,336
Open end mutual funds	847,798	-	(3,265)	844,533	377,541	-	1,404	378,945
	27,204,135	-	(9,017)	27,195,118	42,930,401	-	(56,774)	42,874,627
<b>Available-for-sale securities</b>								
Federal Government Securities	67,316,589	-	(2,111,054)	65,205,535	55,434,989	-	(2,893,867)	52,541,122
Shares	3,714,827	(700,886)	(216,370)	2,797,571	3,164,076	(478,346)	(87,928)	2,597,802
Non Government Debt Securities	4,329,745	(696,507)	(5,253)	3,627,985	2,354,043	(700,050)	606	1,654,599
Open end mutual funds	987,853	(26,023)	115,996	1,077,826	971,353	(26,023)	212,125	1,157,455
Foreign Securities	2,486,829	-	(106,709)	2,380,120	6,326,797	-	(456,009)	5,870,788
	78,835,943	(1,423,416)	(2,323,380)	75,089,037	68,251,258	(1,204,419)	(3,225,073)	63,927,166
<b>Held-to-maturity securities</b>								
Federal Government Securities	34,623,591	-	-	34,623,591	42,716,932	-	-	42,716,932
Associates	254,660	-	-	254,660	187,890	-	-	187,890
<b>Total Investments</b>	<b>140,918,229</b>	<b>(1,423,416)</b>	<b>(2,332,407)</b>	<b>137,162,406</b>	<b>154,086,481</b>	<b>(1,204,419)</b>	<b>(3,280,847)</b>	<b>149,601,215</b>
	Rupees in '000							
9.2 Investments by segments:								
<b>Held-to-trading securities</b>								
Federal Government Securities	26,148,836	-	(1,042)	26,147,794	41,376,995	-	(12,844)	41,364,151
Market Treasury Bills	1,289	-	-	1,289	4,425	-	(62)	4,363
Pakistan Investment Bonds	26,150,135	-	(1,042)	26,149,093	41,381,420	-	(12,906)	41,368,514
<b>Shares:</b>								
<b>Listed Companies</b>								
Ordinary shares	206,202	-	(4,710)	201,492	1,037,824	-	(44,012)	993,812
<b>Non Government Debt Securities</b>								
<b>Listed</b>								
Term Finance Certificates	-	-	-	-	130,307	-	(45)	130,262
Sukuk Certificates	-	-	-	-	3,309	-	(215)	3,094
	-	-	-	-	133,616	-	(260)	133,356
<b>Open End Mutual Funds</b>	847,798	-	(3,265)	844,533	377,541	-	1,404	378,945
<b>Available-for-sale securities</b>								
<b>Federal Government Securities:</b>								
Market Treasury Bills	25,262,369	-	2,095	25,264,464	3,010,920	-	(13)	3,010,907
Pakistan Investment Bonds	42,054,220	-	(2,113,149)	39,941,071	52,424,069	-	(2,893,854)	49,530,215
	67,316,589	-	(2,111,054)	65,205,535	55,434,989	-	(2,893,867)	52,541,122
<b>Shares:</b>								
<b>Listed Companies</b>								
Ordinary shares	3,539,505	(564,297)	(216,370)	2,758,838	3,016,487	(341,757)	(87,928)	2,586,802
Preference shares	136,589	(136,589)	-	-	136,589	-	-	-
<b>Unlisted Companies</b>								
Ordinary shares	11,000	-	-	11,000	11,000	-	-	11,000
Preference shares	27,733	-	-	27,733	-	-	-	-
	3,714,827	(700,886)	(216,370)	2,797,571	3,164,076	(478,346)	(87,928)	2,597,802
<b>Non Government Debt Securities</b>								
<b>Listed</b>								
Term Finance Certificates	445,184	(155,169)	(112)	289,903	323,727	(158,712)	(15)	165,000
Sukuk Certificates	597,632	-	(5,141)	592,491	643,005	-	621	643,626
<b>Unlisted</b>								
Term Finance Certificates	1,741,929	(541,338)	-	1,200,591	1,105,644	(541,338)	-	564,306
Sukuk Certificates-unlisted	1,545,000	-	-	1,545,000	281,667	-	606	281,667
	4,329,745	(696,507)	(5,253)	3,627,985	2,354,043	(700,050)	606	1,654,599
<b>Open End Mutual Funds</b>	987,853	(26,023)	115,996	1,077,826	971,353	(26,023)	212,125	1,157,455
<b>Foreign Securities</b>								
Government Debt Securities	541,396	-	(4,972)	536,424	3,434,089	-	(202,645)	3,231,444
Non Government Debt Securities	1,943,027	-	(101,737)	1,841,290	2,890,302	-	(253,364)	2,636,938
Ordinary shares	2,406	-	-	2,406	2,406	-	-	2,406
	2,486,829	-	(106,709)	2,380,120	6,326,797	-	(456,009)	5,870,788
<b>Held-to-maturity securities</b>								
<b>Federal Government Securities:</b>								
Pakistan Investment Bonds	34,623,591	-	-	34,623,591	42,716,932	-	-	42,716,932
<b>Associates</b>								
Omar Jbran Engineering Industries Limited	233,421	-	-	233,421	187,890	-	-	187,890
Veda Transit Solutions (Private) Limited	972	-	-	972	-	-	-	-
Intercity Youning Company (Private) Limited	20,267	-	-	20,267	-	-	-	-
	254,660	-	-	254,660	187,890	-	-	187,890
<b>Total Investments</b>	<b>140,918,229</b>	<b>(1,423,416)</b>	<b>(2,332,407)</b>	<b>137,162,406</b>	<b>154,086,481</b>	<b>(1,204,419)</b>	<b>(3,280,847)</b>	<b>149,601,215</b>

# Notes to the Consolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

- 9.2.1** Surplus/(deficit) includes revaluation gain on available for sale investments of subsidiaries amounting to Rs.80.378 million (2018: Rs.80.378 million) which represents the pre-acquisition surplus and has been included here only for meeting with requirement of the prescribed format of Banks issued by the State Bank of Pakistan.
- 9.2.2** This represents the investments in related parties amounting to Rs.847.798 million (December 31, 2018: Rs.377.541 million) having market value of Rs.844.533 million (December 31, 2018: Rs.378.945 million).
- 9.2.3** Included herein are the investments in related parties amounting to Rs.2,090.071 million (December 31, 2018: Rs.1,899.088 million) having market value of Rs.1,945.384 million (December 31, 2018: Rs.1,931.604 million).
- 9.2.4** This represents investments in related parties amounting to Rs.27.733 million (December 31, 2018: Rs.Nil).
- 9.2.5** Included herein is the investment of Rs.391.478 million (December 31, 2018: Rs.391.478 million) in a related party at the rate of 6 months KIBOR + 1.75% to 11% matured on December 04, 2017 to October 19, 2020. Due to weak financial position of the investee the Group has recognised full impairment loss on these Term Finance Certificates.
- 9.2.6** This represents the investments in related parties amounting to Rs.987.853 million (December 31, 2018: Rs.971.353 million) having market value of Rs.1,077.828 million (December 31, 2018: Rs.1,157.455 million).
- 9.2.7** The market value of securities classified as held-to-maturity as at June 30, 2019 amounted to Rs.31,755.226 million (December 31, 2018: Rs.39,836.881 million).
- 9.2.8** During the period, the Group has invested in the equity securities of Veda Transit Solutions (Private) Limited (8.0% shareholding) and Intercity Touring Company (Private) Limited (9.12% shareholding), a public unlisted companies. The Group has classified these investment as associates on account of it's significant influence over the investee companies.

# Notes to the Consolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

	(Un-audited) June 30, 2019		(Audited) December 31, 2018	
	Cost	Market value	Cost	Market value
<b>9.2.9 Investments given as collateral</b>	----- Rupees in '000 -----			
<b>Held-for-trading securities</b>				
<b>Federal Government Securities</b>				
Market Treasury Bills	-	-	19,927,891	19,922,073
Pakistan Investment Bonds	-	-	4,123	4,066
	-	-	19,932,014	19,926,139
<b>Available-for-sale securities</b>				
<b>Federal Government Securities:</b>				
Pakistan Investment Bonds	22,469,508	21,017,253	49,667,336	46,935,112
<b>Foreign Debt Securities</b>				
Government Debt Securities	321,397	317,072	2,243,194	2,113,551
Non Government Debt Securities	328,029	330,203	425,354	416,293
	649,426	647,275	2,668,548	2,529,844
	<u>23,118,934</u>	<u>21,664,528</u>	<u>72,267,898</u>	<u>69,391,095</u>

## 9.3 Provision for diminution in value of investments

	(Un-audited) June 30, 2019	(Audited) December 31, 2018
<b>9.3.1 Opening balance</b>	<b>1,204,419</b>	1,504,819
Charge	251,675	30,032
Reversal on disposals / redemptions	(32,678)	(330,432)
Net charge for the period	218,997	(300,400)
Closing Balance	<u>1,423,416</u>	<u>1,204,419</u>

	(Un-audited) June 30, 2019		(Audited) December 31, 2018	
	NPI	Provision	NPI	Provision
<b>9.3.2 Particulars of provision against debt securities</b>	----- Rupees in '000 -----			
<b>Category of classification</b>				
<b>Domestic</b>				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	696,507	696,507	700,050	700,050
	<u>696,507</u>	<u>696,507</u>	<u>700,050</u>	<u>700,050</u>

9.3.3 In addition to the above, Bank's Bahrain branch holds a general provision of Rs.48.312 million (December 31, 2018: Rs.90.015 million) in accordance with the requirements of IFRS 9.

# Notes to the Consolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

	Performing		Non Performing		Total	
	(Un-audited) June 30, 2019	(Audited) December 31, 2018	(Un-audited) June 30, 2019	(Audited) December 31, 2018	(Un-audited) June 30, 2019	(Audited) December 31, 2018
<b>10. ADVANCES</b>	Rupees in '000					
Loans, cash credits, running finances, etc.	232,332,888	232,479,502	9,500,414	8,309,467	241,833,302	240,788,969
Bills discounted and purchased	12,034,121	14,675,443	-	-	12,034,121	14,675,443
Advances - gross	244,367,009	247,154,945	9,500,414	8,309,467	253,867,423	255,464,412
Provision against advances						
General	(156,006)	(155,661)	-	-	(156,006)	(155,661)
General provision - under IFRS-9	(5,400)	(10,746)	-	-	(5,400)	(10,746)
Specific	-	-	(3,425,592)	(2,989,888)	(3,425,592)	(2,989,888)
	(161,406)	(166,407)	(3,425,592)	(2,989,888)	(3,586,998)	(3,156,295)
Advances - net of provision	244,205,603	246,988,538	6,074,822	5,319,579	250,280,425	252,308,117
<b>10.1 Particulars of advances (gross)</b>	Rupees in '000					
In local currency					245,263,864	247,895,081
In foreign currencies					8,603,559	7,569,331
					253,867,423	255,464,412

10.2 Advances include Rs.9,500,414 million (December 31, 2018: Rs.8,309,467 million) which have been placed under non-performing status as detailed below:

Category of classification	(Un-audited) June 30, 2019		(Audited) December 31, 2018	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	Rupees in '000			
<b>Domestic</b>	907,727	1,027	231,430	-
Other Assets Especially Mentioned	739,424	84,420	1,488,616	83,945
Substandard	2,630,265	371,671	3,189,709	146,592
Doubtful	5,222,998	2,968,474	3,399,712	2,759,351
Loss	9,500,414	3,425,592	8,309,467	2,989,888
Total				

10.3 Particulars of provision against advances

	(Un-audited) June 30, 2019				(Audited) December 31, 2018			
	Specific	General	General provision - under IFRS-9	Total	Specific	General	General provision - under IFRS-9	Total
	Rupees in '000							
Opening balance	2,989,888	155,661	10,746	3,156,295	2,638,960	100,353	-	2,739,313
Exchange adjustments	-	-	897	897	-	-	1,321	1,321
Charge for the period / year	691,423	345	-	691,768	422,994	55,308	9,425	487,727
Reversals	(255,719)	-	(6,243)	(261,962)	(72,066)	-	-	(72,066)
	435,704	345	(6,243)	429,806	350,928	55,308	9,425	415,661
Amount written off from the opening balance	-	-	-	-	-	-	-	-
<b>Closing balance</b>	<b>3,425,592</b>	<b>156,006</b>	<b>5,400</b>	<b>3,586,998</b>	<b>2,989,888</b>	<b>155,661</b>	<b>10,746</b>	<b>3,156,295</b>

10.3.1 The general provision is maintained to create general reserves against following advances portfolios in accordance with the prudential regulations issued by State Bank of Pakistan as follows:

	(Un-audited) June 30, 2019	(Audited) December 31, 2018	(Un-audited) June 30, 2019	(Audited) December 31, 2018
	Secured portfolio		Unsecured portfolio	
	Percentages			
Consumer financing	1%	1%	4%	4%
Housing finance	0.5%	0.5%	-	-

# Notes to the Consolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

10.3.2 This represents general provision held under IFRS 9 by Bahrain branch of the Bank.

10.3.3 The State Bank of Pakistan through various circulars has allowed benefit of the forced sale value (FSV) of Plant and Machinery under charge, pledged stock and mortgaged residential, commercial and industrial properties (land and building only) held as collateral against non-performing loans (NPLs) for a maximum of five years from the date of classification. As at June 30, 2019, the Bank has availed cumulative benefit of FSV of Rs.3,307.433 million (December 31, 2018: Rs.2,386.448 million) under the directives of the SBP. Had the benefit not been taken the unappropriated profit after tax would have reduced by Rs.2,149.831 million (December 31, 2018: Rs.1,551.191 million). Further, as required by the SBP directives, this unappropriated profit will not be available for distribution as dividend or other appropriations.

		(Un-audited) June 30, 2019	(Audited) December 31, 2018
11. FIXED ASSETS	Note	----- Rupees in '000 -----	
Capital work-in-progress	11.1	372,820	439,199
Property and equipment		7,341,580	6,457,051
Right-of-use Assets		4,882,157	51,475
		<u>12,596,557</u>	<u>6,947,725</u>
11.1 Capital work-in-progress			
Civil works		190,593	388,449
Advance for purchase of furniture and fixtures		13,184	4,479
Advance for purchase of vehicles		46,545	18,175
Advance for purchase of equipment		122,498	28,096
		<u>372,820</u>	<u>439,199</u>

## 11.2 Additions to fixed assets

The following additions have been made to fixed assets during the period:

	(Un-audited) June 30, 2019	June 30, 2018
	----- Rupees in '000 -----	
Capital work-in-progress - net	268,937	81,976
Property and equipment		
Building on lease hold land	33,402	-
Lease hold improvements	361,086	131,845
Furniture and fixture	73,272	41,246
Electrical office and computer equipment	355,600	177,998
Vehicles	226,334	87,952
	<u>1,049,694</u>	<u>439,041</u>
	<u>1,318,631</u>	<u>521,017</u>

# Notes to the Consolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

## 11.3 Disposal of fixed assets

The net book value of fixed assets disposed off during the period is as follows:

		----- (Un-audited) -----	
		June 30, 2019	June 30, 2018
Note		----- Rupees in '000 -----	
	Lease hold improvements	1,789	9,917
	Furniture and fixture	822	652
	Electrical, office and computer equipment	3,985	3,290
	Vehicles	28,715	10,929
		<u>35,311</u>	<u>24,788</u>
		(Un-audited) June 30, 2019	(Audited) December 31, 2018
		----- Rupees in '000 -----	
12	<b>INTANGIBLE ASSETS</b>		
	Capital work-in-progress	12.1 18,866	86,801
	Goodwill	1,463,625	1,463,625
	Other intangible assets	680,431	656,086
		<u>2,162,922</u>	<u>2,206,512</u>
12.1	<b>Capital work-in-progress</b>		
	Advance for purchase software	<u>18,866</u>	<u>86,801</u>

## 12.2 Additions to intangible assets

The following additions have been made to intangible assets during the period:

		(Un-audited) June 30, 2019	(Audited) December 31, 2018
		----- Rupees in '000 -----	
	Capital work-in-progress - net	-	61,904
	Computer software	1,480	132,520
		<u>1,480</u>	<u>194,424</u>



# Notes to the Consolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

	(Un-audited) June 30, 2019	(Audited) December 31, 2018
<b>13. DEFERRED TAX ASSETS - NET</b>		
	----- Rupees in '000 -----	
<b>Deferred tax debits arising from:</b>		
Unused tax losses	272,663	46,933
Provision against investments	57,149	57,149
Provision against loans and advances	153,643	147,207
Provision against other assets	433,640	124,078
General provision under IFRS-9	19,211	36,820
Intangible other than Goodwill	2,267	2,235
Deficit on revaluation of investments classified as available for sale	865,541	1,188,415
Provision for donation	-	186
Provision for workers' welfare fund	19,960	17,114
	<b>1,824,074</b>	<b>1,620,137</b>
<b>Deferred tax credits arising due to:</b>		
Operating fixed assets	(180,418)	(232,731)
Goodwill	(512,268)	(512,268)
Surplus on revaluation of operating fixed assets	(322,550)	(390,391)
Unrealised (gain) / loss on revaluation of investments classified as held for trading	(27)	3,976
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	(989)	(1,010)
Unrealized gain on revaluation of derivative financial instruments	(175,349)	(78,721)
	<b>(1,191,601)</b>	<b>(1,211,145)</b>
	<b>632,473</b>	<b>408,992</b>

- 13.1** Adjustability of minimum tax (in future years) is provided under section 113(2)(c) of the Income Tax Ordinance, 2001 (the Ordinance). The said provision provides that the excess of minimum tax over 'actual carried forward for adjustment against tax liability (up to five years). However, the Sindh High Court (SHC) passed an order against the issue which had arisen where 'actual tax payable for the year is Nil, and whole amount of minimum tax was considered for adjustment in future. The SHC passed an order that 'actual tax payable should be an absolute amount, and cannot be zero or nil; therefore minimum tax paid in such a situation is not eligible for adjustment in future, in terms of section 113(2)(c) of the Ordinance. Aforesaid decision of the SHC has been further appealed, and issue is now subjudiced before the Supreme Court of Pakistan (SCP). Management and its tax advisors are of the opinion that, based on valid legal grounds, favourable outcome is expected. Accordingly, till the finalization of matter at the SCP, the Bank will continue to carry forward the tax paid.

# Notes to the Consolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

	(Un-audited) June 30, 2019	(Audited) December 31, 2018
	Note	----- Rupees in '000 -----
<b>14. OTHER ASSETS</b>		
Income/ Mark-up accrued in local currency - net of provision	7,758,032	5,598,744
Income/ Mark-up accrued in foreign currencies	105,553	133,707
Trade receivable from brokerage and advisory business - net	1,240,829	1,505,318
Advances, deposits, advance rent and other prepayments	627,221	723,901
Taxation (payments less provision)	1,116,384	1,147,526
Dividend receivable	3,628	1,865
Balances due from funds under management	110,875	112,825
Receivable against bancassurance / bancatakaful	26,192	75,056
Stationery and stamps in hand	19,692	18,536
Receivable from other banks in respect of remittance	373,950	283,469
Non-banking assets acquired in satisfaction of claims	625,378	91,421
Mark to market gain on derivative instruments	508,565	269,351
Advance for subscription of TFC - unsecured	157,494	845,917
ATM settlement account	163,130	195,927
Acceptances	2,195,274	3,217,002
Others	241,436	162,893
	<u>15,273,633</u>	<u>14,383,458</u>
Less: Provision held against other assets	14.2 (433,106)	(435,188)
Other assets (net of provisions)	<u>14,840,527</u>	<u>13,948,270</u>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	93,806	93,869
	<u><u>14,934,333</u></u>	<u><u>14,042,139</u></u>
<b>14.1 Movement of non banking assets acquired in satisfaction of claims at market value:</b>		
Opening balance	185,290	203,339
Addition during the period / year	534,128	1,295
Transferred during the period / year	-	(18,771)
Depreciation during the period / year	(234)	(573)
Closing balance	<u>719,184</u>	<u>185,290</u>
<b>14.2 Provision held against other assets</b>		
Trade receivable from brokerage and advisory business - net	403,318	403,318
Others	29,788	31,870
	<u>433,106</u>	<u>435,188</u>
<b>14.2.1 Movement in provision held against other assets</b>		
Opening balance	435,188	474,995
Charge	-	2,561
Reversal	(2,082)	(42,368)
Net charge for the period / year	(2,082)	(39,807)
Closing balance	<u>433,106</u>	<u>435,188</u>

# Notes to the Consolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

	(Un-audited) June 30, 2019	(Audited) December 31, 2018
	----- Rupees in '000 -----	
<b>15. BILLS PAYABLE</b>		
In Pakistan	3,691,059	3,326,595
Outside Pakistan	222,675	193,329
	<u>3,913,734</u>	<u>3,519,924</u>
<b>16. BORROWINGS</b>		
<b>Secured</b>		
<b>Borrowings from State Bank of Pakistan under:</b>		
Export refinancing scheme (ERF)	18,397,130	15,329,309
Long-Term Finance Facility (LTFF)	1,549,511	1,055,928
Financing Facility for Storage of Agricultural produce (FFSAP)	176,133	121,922
Repurchase agreement borrowings	14,818,488	12,609,714
	<u>34,941,262</u>	29,116,873
<b>Borrowing from financial institutions</b>		
Repurchase agreement borrowings	6,696,280	57,228,252
Refinancing facility for mortgage loans	1,987,385	-
	<u>8,683,665</u>	57,228,252
<b>Total secured</b>	<u>43,624,927</u>	86,345,125
<b>Unsecured</b>		
Call borrowings	5,756,679	8,323,290
Due against bills re-discounting	1,527,294	1,388,619
Overdrawn nostro accounts	1,679,955	501,629
<b>Total unsecured</b>	<u>8,963,928</u>	10,213,538
	<u>52,588,855</u>	<u>96,558,663</u>

(Un-audited) June 30, 2019			(Audited) December 31, 2018		
In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
----- Rupees in '000 -----					

## 17. DEPOSITS AND OTHER ACCOUNTS

### Customers

Current deposits	69,408,139	6,889,792	76,297,931	71,824,038	5,321,812	77,145,850
Savings deposits	67,001,368	3,828,909	70,830,277	61,444,549	2,576,579	64,021,128
Term deposits	146,559,813	14,264,173	160,823,986	118,807,475	11,430,120	130,237,595
Margin accounts	3,841,882	14,495	3,856,377	3,566,455	4,937	3,571,392
	<u>286,811,202</u>	<u>24,997,369</u>	<u>311,808,571</u>	<u>255,642,517</u>	<u>19,333,448</u>	<u>274,975,965</u>

### Financial Institutions

Current deposits	960,723	-	960,723	860,064	-	860,064
Savings deposits	24,015,408	-	24,015,408	26,021,734	-	26,021,734
Term deposits	20,075,850	1,747,139	21,822,989	16,408,212	1,540,877	17,949,089
	45,051,981	1,747,139	46,799,120	43,290,010	1,540,877	44,830,887
	<u>331,863,183</u>	<u>26,744,508</u>	<u>358,607,691</u>	<u>298,932,527</u>	<u>20,874,325</u>	<u>319,806,852</u>

# Notes to the Consolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

		(Un-audited) June 30, 2019	(Audited) December 31, 2018
<b>18. SUB-ORDINATED LOANS</b>	Note	----- Rupees in '000 -----	
Term Finance Certificates - First Issue	18.1	2,997,000	2,997,600
Term Finance Certificates - Second Issue	18.2	1,998,800	1,999,200
Term Finance Certificates - Third Issue	18.3	2,500,000	2,500,000
		<u>7,495,800</u>	<u>7,496,800</u>

- 18.1** In 2016, the Bank has issued Rs.3 billion of rated, privately placed, unsecured and subordinated term finance certificates ("TFCs" or "the Issue") as an instrument of redeemable capital under Section 120 of the Companies Ordinance, 1984 and as outlined by State Bank of Pakistan, SBP, under the BPRD circular No. 06 dated August 15, 2013 and Basel III guidelines. Summary of terms and conditions of the Issue are:

**Purpose:** To contribute toward the Bank's Tier II Capital for complying with the Capital Adequacy Ratio requirement and to utilize the funds in the Bank's business operations as permitted by its Memorandum & Articles of Association.

**Issue date** December 14, 2016

**Tenor:** Seven years from the Issue date.

**Maturity Date:** December 14, 2023

**Rating** A + (Single A Plus)

**Profit Rate:** Floating rate of return at Base rate + 1.40 percent per annum;

Base rate is defined as the average six months KIBOR prevailing on the Base Rate setting date. The Base Rate will be set for the first time on the last working day prior to the Issue Date and subsequently on the immediately preceding business day before the start of each six monthly period

**Profit payment:** Semi-annual

**Redemption:** The instrument is structured to redeem 0.24% of the Issue amount during the first six years after the Issue date and the remaining Issue amount of 99.76% in two equal semi-annual installments of 49.88% each in the last year.

**Security:** The Issue is unsecured and subordinated as to payment of Principal and Profit to all other indebtedness of the Bank.

**Call Option:** Exercisable in part or in full on or after the 10th redemption, subject to SBP's approval.

**Lock-in-clause:** Principal and profit will be payable subject to compliance with MCR or CAR set by SBP.

# Notes to the Consolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

Loss absorbency clause: Upon the occurrence of a Point of Non-Viability event as defined by SBP's Basel III Capital Rule vide BPRD Circular # 6 of 2013 dated August 15, 2013, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank and/or have them immediately written off (either partially or in full). Number of shares to be issued to TFC holders at the time of conversion will be equal to the 'Outstanding Face Value of the TFCs' divided by market value per share of the Bank's common share on the date of trigger as declared by SBP of the non-viability event as declared by SBP, subject to a cap of 467,836,257 shares.

**18.2** In 2017, the Bank has issued Rs.2 billion of rated, privately placed and listed, unsecured and subordinated term finance certificates ("TFCs" or "the Issue") as an instrument of redeemable capital under Section 66 of the Companies Act, 2017 and as outlined by State Bank of Pakistan, SBP, under the BPRD circular No. 06 dated August 15, 2013 and Basel III guidelines. Summary of terms and conditions of the Issue are:

Purpose: To contribute toward the Bank's Tier II Capital for complying with the capital adequacy requirement and to utilize the funds in the Bank's business operations as permitted by its Memorandum & Articles of Association.

Issue date: December 29, 2017

Tenor: Seven years from the Issue date.

Maturity Date: December 29, 2024

Rating: A + (Single A Plus)

Profit Rate: Floating rate of return at Base rate + 1.40 percent per annum;

Base rate is defined as the average six months KIBOR prevailing on the Base Rate setting date. The Base Rate will be set for the first time on the last working day prior to the Issue Date and subsequently on the immediately preceding business day before the start of each six monthly period.

Profit payment: Semi-annual

Redemption: The instrument is structured to redeem 0.24% of the Issue amount during the first six years after the Issue date and the remaining Issue amount of 99.76% in two equal semi-annual installments of 49.88% each in the last year.

Security: The Issue is unsecured and subordinated as to payment of Principal and Profit to all other indebtedness of the Bank.

Call Option: Exercisable in part or in full on or after the 10th redemption, subject to SBP's approval.

Lock-in-clause: Principal and profit will be payable subject to compliance with MCR or CAR set by SBP.

# Notes to the Consolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

Loss absorbency clause: Upon the occurrence of a Point of Non-Viability event as defined under SBP BPRD Circular # 6 of 2013 dated August 15, 2013, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank and/or have them immediately written off (either partially or in full). Number of shares to be issued to TFC holders at the time of conversion will be equal to the 'Outstanding Face Value of the TFCs' divided by market value per share of the Bank's common share on the date of trigger of Point of Non-Viability (PONV) as declared by SBP, subject to a cap of 319,982,544 shares.

**18.3** In 2018, the Bank has issued Rs.2.5 billion of rated, privately placed and listed (listing in process) unsecured, subordinated, perpetual and non-cumulative term finance certificates ("TFCs" or "the Issue") as an instrument of redeemable capital under Section 66(1) of the Companies Act, 2017 and as outlined by State Bank of Pakistan, SBP, under the BPRD circular No. 06 dated August 15, 2013 (the "Circular") and Basel III guidelines. Summary of terms and conditions of the Issue are:

Purpose: To contribute toward the Bank's Tier I Capital for complying with the capital adequacy requirement and to utilize the funds in the Bank's business operations as permitted by its Memorandum & Articles of Association.

Issue date: December 31, 2018

Maturity Date: Perpetual

Rating: A (Single A)

Profit Rate: Floating rate of return at Base rate + 2.25 percent per annum;

Base rate is defined as the average six months KIBOR prevailing on the Base Rate setting date. The Base Rate will be set for the first time on the last working day prior to the Issue Date and subsequently on the immediately preceding business day before the start of each six monthly period

Profit payment frequency: Semi-annually on a non-cumulative basis

Redemption: Not applicable

Security: The Issue is unsecured and subordinated as to payment of Principal and Profit to all other claims except common shares.

Call Option: Exercisable in part or in full at a par value on or after five years from the issue date, with prior approval of SBP. The Bank shall not exercise the call option unless the called instrument is replaced with capital of same or better quality.

Lock-in-clause: Payment of profit will be made from current year's earning and subject to compliance with MCR or CAR set by SBP.

# Notes to the Consolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

## Loss absorbercy clause:

**Pre-Specified Trigger ("PST")** Upon the occurrence of a Pre-Specified Trigger as defined under SBP BPRD Circular # 6 of 2013 dated August 15, 2013, which stipulates that if an Issuer's Common Equity Tier 1 ("CET 1") ratio falls to or below 6.625% of Risk Weighted Assets ("RWA"), the Issuer will have full discretion to determine the amount of TFCs to be permanently converted into common shares or written off, subject to SBP regulations / instructions, and the cap specified below. The Bank will be able to exercise this discretion subject to:

- If and when Bank's CET 1 reaches the loss absorption trigger point, the aggregate amount of Additional Tier-1 capital to be converted must at least be the amount sufficient to immediately return the CET 1 ratio to above 6.625% of total RWA (if possible);
- The converted amount should not exceed the amount needed to bring the CET 1 ratio to 8.5% of RWA (i.e. minimum CET 1 of 6.0% plus capital conservation buffer of 2.5%);
- In case, conversion of Additional Tier-1 capital Instrument is not possible following the trigger event, the amount of the Instrument must be written off in the accounts resulting in increase in CET 1 of the Issuer;

## Point of Non-Viability ("PONV")

Upon the occurrence of a Point of Non-Viability event as defined under SBP BPRD Circular # 6 of 2013 dated August 15, 2013, which stipulates that SBP may, at its option, fully and permanently convert the TFCs into common shares of the Issuer and / or have them immediately written off (either partially or in full). Number of shares to be issued to TFC holders at the time of conversion will be equal to the 'Outstanding Value of the TFCs' divided by market value per share of the Issuer's common / ordinary share on the date of the PONV trigger event as declared by SBP, subject to the cap specified below;

The PONV trigger event is the earlier of:

- A decision made by SBP that a conversion or temporary / permanent write-off is necessary without which the Issuer would become non-viable;
- The decision to make a public sector injection of capital, or equivalent support, without which the Issuer would have become non-viable, as determined by SBP.
- The maximum number of shares to be issued to TFC holders at the Pre-Specified Trigger and / or Point of Non Viability (or otherwise as directed by SBP) will be subject to a specified cap of 329,595,476 ordinary shares, or such other number as may be agreed to in consultation with SBP;

# Notes to the Consolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

	(Un-audited) June 30, 2019	(Audited) December 31, 2018
	----- Rupees in '000 -----	
<b>19. OTHER LIABILITIES</b>		
Mark-up / return / interest payable in local currency	2,236,704	2,679,843
Mark-up / return / interest payable in foreign currencies	111,960	107,641
Accrued expenses	515,107	707,824
Trade payable from brokerage business	1,921,716	2,054,051
Payable in respect of defined benefit obligation - net	168,433	102,494
Unclaimed dividends	10,529	10,529
Donation payable	-	15,248
Lease key money deposit	4,484,667	4,568,145
Workers' Welfare Fund	180,407	179,890
Government duties	276,672	268,880
Payable against remittance	734,499	442,811
Retention money payable	30,705	35,053
Visa debit card payable	232,223	80,202
Acceptances	2,195,274	3,217,002
Lease liability against right-of-use assets	4,821,623	46,422
Others	278,078	204,154
	<u>18,198,597</u>	<u>14,720,189</u>
<b>20. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - NET OF TAX</b>		
<b>(Deficit) / surplus on revaluation of:</b>		
Available-for-sale securities	9.1 & 20.3 (2,355,456)	(3,215,435)
Fixed assets	20.2 1,930,110	1,628,992
Non-banking assets acquired in satisfaction of claims	93,806	93,869
	<u>(331,540)</u>	<u>(1,492,574)</u>
<b>Deferred tax on (deficit) / surplus on revaluation of:</b>		
Available-for-sale securities	865,541	1,188,153
Fixed assets	(322,550)	(403,434)
Non-banking assets acquired in satisfaction of claims	(989)	(1,011)
	<u>542,002</u>	<u>783,708</u>
	<u>210,462</u>	<u>(708,866)</u>
<b>20.1 Group's share</b>	<b>825</b>	<b>(822,532)</b>
Non-controlling interest	209,637	113,666
	<u>210,462</u>	<u>(708,866)</u>

**20.2** During the period, a subsidiary company has carried out the revaluation exercise by an independent valuer, which has resulted in additional surplus on building of Rs.290.762 million over their existing written down value of Rs. 279.495 million.

The fair values were determined with reference to market based evidence, based on active market prices and relevant enquiries and information as considered necessary, and adjusted for any difference in nature, location or condition of the specific properties.

Had there been no revaluation, the carrying value of building would have been lower by Rs.534.443 million and incremental depreciation would have been lower by Rs. 5.567 million.



# Notes to the Consolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

- 20.3 This is net off against general provision held under IFRS 9 of Rs. 48.312 million (December 31, 2018: Rs. 90.015 million) by Bahrain Branch of the Bank.

		(Un-audited) June 30, 2019	(Audited) December 31, 2018
Note		----- Rupees in '000 -----	
<b>21. CONTINGENCIES AND COMMITMENTS</b>			
Guarantees	21.1	40,025,248	41,116,520
Commitments	21.2	62,258,735	59,868,869
		<u>102,283,983</u>	<u>100,985,389</u>
<b>21.1 Guarantees:</b>			
Financial guarantees		2,652,749	3,552,003
Performance guarantees		20,381,360	19,549,043
Other guarantees		16,991,139	18,015,474
	21.1.1	<u>40,025,248</u>	<u>41,116,520</u>
21.1.1	Included herein the outstanding guarantees of Rs.15.401 million (December 31, 2018: Rs.19.201 million) of related parties.		
<b>21.2 Commitments:</b>			
<b>Documentary credits and short-term trade-related transactions</b>			
- letters of credit	21.2.1	12,314,629	14,957,752
<b>Commitments in respect of:</b>			
- forward foreign exchange contracts	21.2.2	30,492,722	34,627,442
- forward government and equity securities	21.2.3	11,402,347	2,707,039
- Cross currency swaps (notional principal)	21.2.4	5,233,253	3,992,763
- Options (notional principal)	21.2.4	2,080,677	2,631,433
- forward lending	21.2.5	151,830	284,137
- Bank Guarantee from a commercial Bank in favor of National Clearing Company of Pakistan Limited	21.2.6	400,000	400,000
- Outstanding settlements against margin financing contracts - net	21.2.7	22,445	12,348
<b>Commitments for acquisition of:</b>			
- operating fixed assets	21.2.8	160,832	255,955
		<u>62,649,358</u>	<u>59,868,869</u>
21.2.1	Included herein the outstanding letter of credits of Rs.94.829 million (December 31, 2018: Rs.44.016 million) of related parties.		

# Notes to the Consolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

		(Un-audited) June 30, 2019	(Audited) December 31, 2018
21.2.2	<b>Commitments in respect of forward foreign exchange contracts</b>	Note	----- Rupees in '000 -----
	Purchase	21,815,879	21,521,180
	Sale	8,676,843	13,106,262
		<u>30,492,722</u>	<u>34,627,442</u>
	The Holding company utilises foreign exchange instruments to meet the needs of its customers and as part of its asset and liability management activity to hedge its own exposure to currency risk.		
21.2.3	<b>Commitments in respect of forward government and equity securities</b>		
		(Un-audited) June 30, 2019	(Audited) December 31, 2018
		----- Rupees in '000 -----	----- Rupees in '000 -----
	Purchase	1,574,852	209,471
	Sale	9,827,495	2,497,568
		<u>11,402,347</u>	<u>2,707,039</u>
21.2.4	<b>Commitments in respect of derivative instruments</b>		
	Interest rate swaps (notional principal)	5,233,253	3,992,763
	Options (notional principal)	2,080,677	2,631,433
		<u>7,313,930</u>	<u>6,624,196</u>
21.2.5	<b>Commitments in respect of forward lending</b>		
	Undrawn formal standby facilities, credit lines and other commitments to lend	<u>151,830</u>	<u>284,137</u>
21.2.5.1	These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the bank without the risk of incurring significant penalty or expense.		
21.2.6	<b>Bank Guarantee from a commercial Bank in favor of National Clearing Company of Pakistan Limited</b>	<u>400,000</u>	<u>400,000</u>
21.2.7	<b>Outstanding settlements against margin financing contracts - net</b>	<u>22,445</u>	<u>12,348</u>
21.2.8	<b>Commitments for acquisition of operating fixed assets</b>	<u>160,832</u>	<u>255,955</u>
21.2.9	There are no changes in contingent liabilities since the date of annual consolidated audited financial statements for the year ended December 31, 2018 except as disclosed above and note 32.1.		

# Notes to the Consolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

## 22. DERIVATIVE INSTRUMENTS

Derivative instruments, such as Forward Securities Exchange Contracts, Interest Rate Swaps, and Options, are forward transactions that provide market making opportunities / hedge against the adverse movement of interest and exchange rates. Derivatives business also provides risk solutions for the existing and potential customers of the Group.

The Holding company has entered into a Cross Currency Swap transaction with its customers on back-to-back basis with an Authorized Derivative Dealer (ADD) without carrying any open position in its books. Specific approvals for the transactions have been granted by State Bank of Pakistan. Policies in line with SBP instructions have been formulated and are operative.

The Holding company has also entered into Foreign Currency & Commodity Options from its Wholesale Banking Branch Bahrain for market making activities.

These transactions cover the aspects of both market making and hedging. The risk management related to derivative is disclosed in note 48 to the consolidated annual financial statements for the year ended December 31, 2018.

Accounting policies in respect of derivative financial instruments are described in note 4.5.2 of the consolidated annual financial statements for the year ended December 31, 2018.

### 22.1 Product Analysis

	(Un-audited) June 30, 2019							
	Cross currency swaps		Options		Forward exchange contracts		Forward securities	
	Notional principal	Mark to market	Notional principal	Mark to market	Notional principal	Mark to market	Notional principal	Mark to market
	----- Rupees in '000 -----							
<b>With Banks</b>								
Hedging	5,233,253	19,709	-	-	30,492,722	465,295	11,402,347	2,011
Market making	-	-	2,080,677	21,550	-	-	-	-
<b>With Fis other banks</b>								
Hedging	-	-	-	-	-	-	-	-
Market making	-	-	-	-	-	-	-	-
<b>Total</b>								
Hedging	5,233,253	19,709	-	21,550	30,492,722	465,295	11,402,347	2,011
Market making	-	-	2,080,677	-	-	-	-	-
	(Audited) December 31, 2018							
	Cross currency swaps		Options		Forward exchange contracts		Forward securities	
	Notional principal	Mark to market	Notional principal	Mark to market	Notional principal	Mark to market	Notional principal	Mark to market
	----- Rupees in '000 -----							
<b>With Banks</b>								
Hedging	3,992,763	16,931	-	-	-	-	-	-
Market making	-	-	2,631,433	(3,652)	34,627,442	211,933	2,707,039	44,139
<b>With Fis other banks</b>								
Hedging	-	-	-	-	-	-	-	-
Market making	-	-	-	-	-	-	-	-
<b>Total</b>								
Hedging	3,992,763	16,931	-	-	-	-	-	-
Market making	-	-	2,631,433	(3,652)	34,627,442	211,933	2,707,039	44,139

# Notes to the Consolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

		----- (Un-audited) ----- Half year ended	
		June 30, 2019	June 30, 2018
		----- Rupees in '000 -----	
<b>23. MARK-UP / RETURN / INTEREST EARNED</b>	Note		
On:			
Loans and advances		14,562,207	8,531,292
Investments		4,125,922	5,373,507
Lendings to financial institutions		34,693	52,115
Balances with other banks		27,737	4,086
Securities purchased under resale agreements		355,972	84,657
		<u>19,106,531</u>	<u>14,045,657</u>
<b>24. MARK-UP / RETURN / INTEREST EXPENSED</b>			
Deposits		12,029,599	6,506,427
Borrowings	24.1	719,029	292,423
Securities sold under repurchase agreements		1,839,197	2,594,435
Sub-ordinated loans		467,297	189,741
Lease liability against right-of-use assets		265,908	1,386
		<u>15,321,030</u>	<u>9,584,412</u>
<b>24.1 Borrowings</b>			
Export Refinancing Scheme (ERF)		168,425	121,448
Long-Term Finance Facility (LTFF)		14,725	4,637
Financing Facility for Storage of Agricultural Produce (FFSAP)		1,656	937
Other short term borrowings		534,223	165,401
		<u>719,029</u>	<u>292,423</u>
<b>25. FEE, COMMISSION AND BROKERAGE INCOME</b>			
Branch banking customer fees		89,375	84,127
Consumer finance related fees		9,434	19,627
Card related fees (debit and credit cards)		227,941	134,632
Credit related fees		154,278	119,381
Investment banking fees		59,302	399,415
Commission on trade		254,988	236,294
Commission on guarantees		175,055	169,101
Commission on cash management		3,112	2,379
Commission on remittances including home remittances		54,737	46,596
Commission on bancassurance		71,172	74,573
Commission on distribution of mutual funds		63,885	84,966
Commission on online services		80,764	85,819
Postage & Courier income		7,305	6,696
Rebate income		107,506	66,119
Rebate on primary dealership		6,918	4,118
Brokerage income		136,380	178,293
Management fee		104,434	100,100
		<u>1,606,586</u>	<u>1,812,236</u>

# Notes to the Consolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

----- (Un-audited) -----  
Half year ended  
**June 30,**                      June 30,  
**2019**                              2018  
Note ----- Rupees in '000 -----

## 26. (LOSS) / GAIN ON SECURITIES - NET

	(359,910)	33,511
Realised	(9,089)	11,212
Unrealised - held for trading	<u>(368,999)</u>	<u>44,723</u>
<b>26.1. Realised (loss) / gain on:</b>		
<b>Federal government securities</b>		
Market treasury bills	6,015	(5,592)
Pakistan investment bonds	(333,815)	(48,065)
Ijara sukuk certificates	633	281
<b>Shares</b>		
Listed companies	(28,926)	31,014
Unlisted companies	-	4,488
<b>Non Government Debt Securities</b>		
Term finance certificates	6,674	2,779
<b>Mutual fund units</b>	1,925	52,976
<b>Foreign currency bonds</b>	(12,416)	(8,335)
<b>Sukuk certificates</b>	-	3,965
	<u>(359,910)</u>	<u>33,511</u>
<b>27. OTHER INCOME - NET</b>		
Rent on property	3,897	8,157
Gain on sale of fixed assets - net	72,802	58,550
Others	4,460	7,838
	<u>81,159</u>	<u>74,545</u>

# Notes to the Consolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

		----- (Un-audited) ----- Half year ended	
		June 30, 2019	June 30, 2018
		----- Rupees in '000 -----	
<b>28.</b>	<b>OPERATING EXPENSES</b>		
	<b>Total compensation expense</b>	<b>2,901,471</b>	1,542,838
	<b>Property expense</b>		
	Rent & taxes	153,748	605,739
	Insurance	5,277	231
	Utilities cost	139,162	154,044
	Security (including guards)	172,201	175,870
	Repair & maintenance (including janitorial charges)	134,499	112,307
	Depreciation on right-of-use assets	412,375	-
	Depreciation	144,638	127,507
	Depreciation on non banking assets	234	325
		<b>1,162,134</b>	1,176,023
	<b>Information technology expenses</b>		
	Software maintenance	72,117	2,107
	Hardware maintenance	92,223	124,682
	Depreciation	87,458	72,179
	Amortisation	45,905	35,071
	Network charges	62,949	53,752
		<b>360,652</b>	287,791
	<b>Other operating expenses</b>		
	Directors' fees and allowances	5,275	8,175
	Fee and allowances to Shariah Board	23	48
	Legal & professional charges	100,813	40,239
	Insurance	73,551	1,202,454
	Outsourced services costs	74,440	70,810
	Travelling & conveyance	68,800	61,750
	NIFT clearing charges	19,521	18,556
	Depreciation	187,364	156,271
	Depreciation on right-of-use assets	5,017	4,064
	Training & development	17,533	17,938
	Postage & courier charges	45,218	31,662
	Communication	58,784	59,217
	Stationery & printing	122,037	100,324
	Marketing, advertisement & publicity	124,727	242,940
	Donations	200	22,574
	Auditors remuneration	5,734	7,335
	Staff auto fuel & maintenance	109,923	70,710
	Bank charges	29,813	27,681
	Stamp duty	19,324	16,411
	Online verification charges	7,168	12,949
	Brokerage, fee and commission	16,738	36,130
	Card related fees (debit and credit cards)	4,135	3,251
	CDC and other charges	16,992	21,852
	Consultancy fee	24,591	34,632
	Deposit protection corporation	69,880	-
	Entertainment expenses	33,719	31,174
	Fee and Subscription	57,327	51,554
	Royalty	15,000	12,500
	Employees social security	4,334	4,850
	Generator fuel & maintenance	34,561	62,127
	Others	15,319	16,392
		<b>1,367,861</b>	2,446,570
		<b>5,792,118</b>	5,453,222
	Less: Reimbursement of selling and distribution expenses	(8,371)	(11,662)
		<b>5,783,747</b>	5,441,560

# Notes to the Consolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

**28.1** Under the provision of section 5(2) of the Deposit Protection Corporation Act, 2016 (the Act), and DPC Circular No. 04 of 2018, the Bank is liable to pay annual premium, on quarterly basis, to the Deposit Protection Corporation, a subsidiary company of State Bank of Pakistan, @ 0.16% on eligible deposits as of December 31 of each preceding calendar year.

The Bank's eligible deposits as of December 31, 2018 are amounting to Rs. 87,350.615 million on which total premium is payable of Rs. 139.761 million per annum (Rs. 34.940 million per quarter).

**28.2** The SECP vide Circular 40/2016 dated December 30, 2016, prescribed certain conditions on Asset Management Companies (AMC) for charging of selling and marketing expenses to open end equity funds, for opening of new branches in cities, except Karachi, Lahore, Islamabad and Rawalpindi. Expenses can be charged to the extent of 0.4% per annum of net assets of fund or actual expenses whichever is lower.

## **29. WORKERS' WELFARE FUND**

Provision held at 2% of the higher of profit before tax or taxable income under Sindh Workers' Welfare Act, 2014.

	----- (Un-audited) ----- Half year ended	
	June 30, 2019	June 30, 2018
	----- Rupees in '000 -----	
<b>30. OTHER CHARGES</b>		
Penalties imposed by State Bank of Pakistan	50	-
Others	198	532
	<u>248</u>	<u>532</u>
<b>31. PROVISIONS AND WRITE OFFS - NET</b>		
Reversal for diminution in value of investments	218,997	(57,848)
Provisions against loans & advances - specific	435,704	83,999
Provision against loans & advances - general	345	39,868
Other reversals	(2,082)	(42,368)
General reversals - under IFRS-9	(59,311)	108,086
	<u>593,653</u>	<u>131,737</u>
<b>32. TAXATION</b>		
Current	(392,892)	(497,763)
Prior years	(4,942)	(14,883)
Deferred	471,454	20,010
	<u>73,620</u>	<u>(492,636)</u>

## **32.1 JS Bank Limited Pakistan Operations**

### **32.1.1 Income Tax**

During the year, Additional Commissioner Inland Revenue (ACIR) by issued amended orders for tax year 2016 and 2017. This was done by taking recourse of conducting tax audit or alternatively direct amendments in the deemed assessments contending that certain matters in the deemed assessments were not admissible as not conforming to the law and prejudiced the interest of revenue. As result of amendments in tax year 2016 and 2017 ACIR has raised additional demand of Rs. 433.890 million and Rs. 508.803 million respectively.

# Notes to the Consolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

For both tax years, the Bank has not accepted the amendments and have filed appeals before the Commissioner Inland Revenue-Appeals where it is pending for hearing and decision.

## 32.1.2 Sales tax

The Bank as a registered person under Sindh Sales Tax on Services Act, 2011 was issued an Order by the Assistant Commissioner Sindh Revenue Board AC-SRB creating a demand of Rs.48.838 million besides penalty of Rs.4.440 million against the Bank for alleged non-payment of Sindh sales tax on certain services / incomes (i.e. Bancassurance, Home Remittances under Pakistan Remittance Initiative Scheme, SBP rebates on Government securities, Rebates from foreign correspondent Banks, and FX gain on remittance by Western Union)' on total amounting to Rs.277.488 million for the tax periods July 2011 to December 2013.

An appeal was filed before Commissioner (Appeals) Sindh Revenue Board, CA-SRB against the decision of AC-SRB which was decided in favor of the tax department except tax imposed on FX gain on remittance by Western Union. Thereafter, both the Bank and AC-SRB filed appeals before the Appellate Tribunal SRB against the decision of CA-SRB. Through its Order dated April 18, 2019, the Appellate Tribunal SRB quashed the demand raised by deciding the Bank's appeal in the Bank's favour and dismissing the AC-SRB's appeal.

## 32.2 Azad Jammu & Kashmir Operations

### 32.2.1 Income Tax

The Bank has commenced operations in Azad Jammu & Kashmir from tax year 2009 and has filed returns for the tax years 2009 to 2018 with the tax authorities of such region. The Commissioner has issued notices for amendment of assessment under section 122 of the Income Tax Ordinance, 2001 (as adopted in AJK Region) for the tax year 2011 to 2017. All assessments orders were rectified with Nil demand. However, such assessments are further amended under section 122(5A) of the Income Tax Ordinance, 2001 (as adopted in AJK and hereinafter refers to as 'the Ordinance') by the Commissioner Inland Revenue, CIR, for the tax year 2013 to 2017 and raised demand of Rs. 55.880 million. Based on the further amendments in tax years 2013 to 2017, CIR has increased markup earned on local advances and surplus funds, and dis-allowed fifty percent of allocated head office expense in each tax year, besides creating demand of Super Tax and Education Cess.

For said tax years, the Bank has not accepted further amendments and filed rectification application with CIR on grounds that amendments were made without considering the brought forward losses of Rs.128.223 million. Simultaneously, the Bank has also filed appeals before the Commissioner Inland Revenue-Appeals (the CIRA) where it is pending for hearing and decision. The management is confident that the appeals filed in respect of above years will be decided in the Bank's favor and accordingly no demand for payment would arise.



# Notes to the Consolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

	Quarter ended		Half year ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
<b>33. BASIC AND DILUTED (LOSS) / EARNINGS PER SHARE</b>	----- Un-audited ----- Rupees in '000			
Profit after taxation for the period - attributable to ordinary equity holders of the Bank for diluted earnings	(544,248)	335,948	(523,393)	711,991
Preference dividend for the year ended December 31, 2018 @ 12% p.a (2017: @ 12% p.a.)	-	-	(24,164)	(180,000)
Profit after taxation for the period - attributable to ordinary equity holders of the Bank for basic earnings	<u>(544,248)</u>	<u>335,948</u>	<u>(547,557)</u>	<u>531,991</u>
	----- Numbers -----			
Weighted average number of basic outstanding ordinary shares during the period	<u>1,297,464,262</u>	1,297,464,262	<u>1,297,464,262</u>	1,236,552,660
	----- Rupee -----			
Basic and diluted (loss) / earnings per share	<u>(0.42)</u>	0.26	<u>(0.42)</u>	0.43

**33.1** During June 2018, the diluted earnings per share increased for the half year ended when taking the convertible preference shares into account, therefore the convertible preference shares are anti-dilutive and are excluded from the weighted average number of ordinary shares for the purpose of diluted earnings per share. Further, no impact of dilution has been taken for the quarter ended June 30, 2018, due to conversions of preference shares.

## **34. FAIR VALUE OF FINANCIAL INSTRUMENTS**

"Fair value" is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost.

The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined at lower of cost and the break-up value in accordance with the requirements of prudential regulations issued by SBP. Break-up value of unquoted equity securities is calculated with reference to the net assets of the investee company as per the latest available financial statements.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for assets and liabilities and reliable data regarding market rates for similar instruments.

The provision for impairment of loans and advances has been calculated in accordance with the Group's accounting policy as stated in note 4.7.1 to the annual consolidated financial statements of the Group for the year ended December 31, 2018.

# Notes to the Consolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature or in the case of customer loans and deposits are frequently repriced.

## 34.1 Fair value of financial assets

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1** Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2** Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3** Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

## 34.2 Valuation techniques used in determination of fair values within level 2

Item	Valuation approach and input used
Units of mutual funds	Fair values of investments in units of mutual funds are determined based on redemption prices disclosed at the Mutual Funds Association of Pakistan (MUFAP) as at the close of the business days.
Shares of listed companies	Fair values of investments in listed equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange.
Pakistan Investment Bonds / Market Treasury Bills"	Fair values of Pakistan Investment Bonds and Market Treasury Bills are derived using PKRV rates (Reuters page).
Term Finance Certificates and Bonds	Investments in debt securities (comprising Term Finance Certificates, Bonds and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the SECP.
Derivatives	The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant underlying parameters including foreign currencies involved, interest rates, yield curves, volatilities, contracts duration, etc.

# Notes to the Consolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

### 34.3 Fair value of non-financial assets

#### 34.4 Valuation techniques used in determination of fair values within level 3

Fixed assets - Land and building	Fixed assets and Non-banking assets under satisfaction of claims are carried at revalued amounts determined by professional valuers (level 3 measurement) based on their assessment of the market values as disclosed in note 10 and 14 respectively. The valuations are conducted by the valuation experts appointed by the Bank which are also on the panel of State Bank of Pakistan. The valuation experts used a market based approach to arrive at the fair value of the Bank's properties. The market approach used prices and other relevant information generated by market transactions involving identical or comparable or similar properties. These values are adjusted to reflect the current condition of the properties. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in these financial statements.
Non-banking assets under satisfaction of claims	

34.5 The Group's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred. There were no transfers between levels 1 and 2 during the period ended June 30, 2019.

34.6 The following table provides an analysis of financial and non financial assets that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

# Notes to the Consolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

----- (Un-audited) -----			
June 30, 2019			
Level 1	Level 2	Level 3	Total
----- Rupees in '000 -----			
<b>On balance sheet financial instruments</b>			
Items carried at fair value			
Financial assets classified as 'held-for-trading securities'			
Financial assets - measured at fair value			
<b>Investments</b>			
Federal Government Securities	-	26,149,093	-
Shares	201,492	-	-
Non Government Debt Securities	-	-	-
Open end mutual funds	-	844,533	-
201,492	26,993,626	-	27,195,118
Financial assets classified as 'available-for-sale securities'			
Financial assets - measured at fair value			
<b>Investments</b>			
Federal Government Securities	-	65,205,535	-
Shares	2,758,838	-	-
Non Government Debt Securities	-	882,394	-
Open end mutual funds	-	1,077,826	-
Foreign Securities	-	2,377,714	-
2,758,838	69,543,469	-	72,302,307
Financial assets - disclosed but not measured at fair value			
<b>Investments</b>			
Federal Government Securities	-	31,755,226	-
2,960,330	128,292,321	-	131,252,651
<b>Non-Financial Assets</b>			
Revalued fixed assets	-	3,817,188	3,817,188
Non-banking assets acquired in satisfaction of claims	-	719,184	719,184
-	-	4,536,372	4,536,372
<b>Off balance sheet financial instruments</b>			
Commitments in respect of:			
<b>Forward foreign exchange contracts</b>			
Purchase	-	22,914,692	-
Sale	-	9,310,361	-
<b>Forward government securities and equity securities</b>			
Purchase	-	1,575,756	-
Sale	-	9,826,388	-
<b>Derivative instruments</b>			
Cross currency swaps (notional principal)	-	7,512,775	-
Options (notional principal)	-	2,102,227	-

# Notes to the Consolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

(Audited)  
December 31, 2018

## On balance sheet financial instruments

Items carried at fair value

Financial assets classified as 'held-for-trading securities'

Financial assets - measured at fair value

### Investments

	Level 1	Level 2	Level 3	Total
Federal Government Securities	-	41,368,514	-	41,368,514
Shares	993,812	-	-	993,812
Non Government Debt Securities	-	133,356	-	133,356
Open end mutual funds	-	378,945	-	378,945
	993,812	41,880,815	-	42,874,627

Financial assets classified as 'available-for-sale securities'

Financial assets - measured at fair value

### Investments

Federal Government Securities	-	52,541,122	-	52,541,122
Shares	2,586,797	-	-	2,586,797
Non Government Debt Securities	-	808,626	-	808,626
Open end mutual funds	-	1,157,455	-	1,157,455
Foreign Securities	-	5,868,382	-	5,868,382
	2,586,797	60,375,585	-	62,962,382

Financial assets - disclosed but not measured at fair value

### Investments

Federal Government Securities	-	39,836,881	-	39,836,881
	-	39,836,881	-	39,836,881
	<u>3,580,609</u>	<u>142,093,281</u>	<u>-</u>	<u>145,673,890</u>

### Non-Financial Assets

Revalued fixed assets	-	-	3,209,693	3,209,693
Non-banking assets acquired in satisfaction of claims	-	-	185,290	185,290
	-	-	<u>3,394,983</u>	<u>3,394,983</u>

## Off balance sheet financial instruments

Commitments in respect of:

### Forward foreign exchange contracts

Purchase	-	21,946,624	-	21,946,624
Sale	-	13,319,774	-	13,319,774

### Forward government securities

Purchase	-	209,530	-	209,530
Sale	-	1,494,554	-	1,494,554

### Derivative instruments

Cross currency swaps (notional principal)	-	5,254,792	-	5,254,792
Options (notional principal)	-	2,627,781	-	2,627,781

# Notes to the Consolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

## 35. SEGMENT INFORMATION

### 35.1 Segment Details with respect to Business Activities

	Corporate finance	Trading and sales	Retail banking	Commercial banking	Brokerage	Asset management	Others	Total
Rupees in '000								
<b>June 30, 2019 (Un-audited)</b>								
<b>Profit &amp; Loss</b>								
Net mark-up / return / profit	-	1,537,131	(2,723,969)	4,962,814	20,872	(11,347)	-	3,785,501
Inter segment revenue - net	-	(4,503,195)	7,886,625	(3,383,430)	-	-	-	-
Non mark-up / return / interest income	38,423	137,765	881,069	459,725	225,954	133,340	68,171	1,944,447
Total Income	38,423	(2,828,299)	6,043,725	2,039,109	246,826	121,993	68,171	5,729,948
Segment direct expenses	53,054	64,703	2,853,360	424,204	284,263	219,057	268,319	4,166,960
Inter segment expense allocation	-	151,343	855,650	610,608	-	-	-	1,617,601
Total expenses	53,054	216,046	3,709,010	1,034,812	284,263	219,057	268,319	5,784,561
Provisions	-	211,385	92,382	289,886	-	-	-	593,653
Profit before tax	(14,631)	(3,255,730)	2,242,333	714,411	(37,437)	(97,064)	(200,148)	(648,266)
<b>June 30, 2019 (Un-audited)</b>								
<b>Balance Sheet</b>								
Cash & Bank balances	-	25,767,544	11,289,645	-	204,143	2,838	-	37,264,170
Investments	-	134,757,591	-	-	357,456	2,047,359	-	137,162,406
Net inter segment lending	-	-	164,387,218	-	-	-	489,036	164,876,254
Lendings to financial institutions	-	4,598,062	-	-	-	-	-	4,598,062
Advances - performing	-	-	92,844,661	151,262,484	254,772	5,092	-	244,367,009
Advances - non-performing	-	-	2,843,872	6,656,542	-	-	-	9,500,414
Advances - provisions - net	-	-	(645,373)	(2,941,625)	-	-	-	(3,586,998)
	-	-	95,043,160	154,977,401	254,772	5,092	-	250,280,425
Others	-	4,293,679	2,779,461	(4,338,088)	1,764,913	757,842	25,068,478	30,326,285
<b>Total Assets</b>	-	169,416,876	273,499,484	150,639,313	2,581,284	2,813,131	25,557,514	624,507,602
Borrowings	-	32,466,081	5,031,596	15,091,178	-	-	-	52,588,855
Subordinated debt	-	7,495,800	-	-	-	-	-	7,495,800
Deposits & other accounts	-	-	261,817,340	96,790,351	-	-	-	358,607,691
Net inter segment borrowing	-	130,941,523	-	33,934,730	-	-	-	164,876,253
Others	-	428,673	6,650,547	2,325,369	2,448,451	546,231	9,713,060	22,112,331
<b>Total Liabilities</b>	-	171,332,077	273,499,483	148,141,628	2,448,451	546,231	9,713,060	605,680,930
Equity	-	-	-	-	-	-	18,826,671	18,826,671
<b>Total Equity &amp; Liabilities</b>	-	171,332,077	273,499,483	148,141,628	2,448,451	546,231	28,539,731	624,507,601
Contingencies & Commitments	-	49,747,158	35,455,162	16,295,505	677,379	-	108,779	102,283,983

# Notes to the Consolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

	Corporate finance	Trading and sales	Retail banking	Commercial banking	Brokerage	Asset management	Others	Total
Rupees in '000								
<b>June 30, 2018 (Un-audited)</b>								
<b>Profit &amp; Loss</b>								
Net mark-up / return / profit	-	2,567,663	(1,567,831)	3,376,950	83,443	1,020	-	4,461,245
Inter segment revenue - net	-	(2,733,385)	4,553,866	(1,820,481)	-	-	-	-
Non mark-up / return / interest income	317,437	233,232	844,961	412,453	320,601	172,987	51,820	2,353,491
Total Income	317,437	67,510	3,830,996	1,968,922	404,044	174,007	51,820	6,814,736
Segment direct expenses	53,866	92,749	2,342,675	746,933	339,800	186,562	470,423	4,233,008
Inter segment expense allocation	-	108,842	508,510	641,424	(21,957)	(3,444)	-	1,233,375
Total expenses	53,866	201,591	2,851,185	1,388,357	317,843	183,118	470,423	5,466,383
Provisions	-	(31,653)	46,512	77,355	-	(26,195)	65,718	131,737
Profit before tax	263,571	(102,428)	933,299	503,210	86,201	17,084	(484,321)	1,216,616
<b>December 31, 2018 (Audited)</b>								
<b>Balance Sheet</b>								
Cash & Bank balances	-	26,330,603	6,748,812	-	7,357	2,428	-	33,089,200
Investments	-	146,741,243	-	-	1,161,072	1,698,900	-	149,601,215
Net inter segment lending	-	-	142,567,445	-	-	-	6,556,733	149,124,178
Lendings to financial institutions	-	1,937,347	-	-	-	-	-	1,937,347
Advances - performing	-	-	93,802,563	153,035,183	313,609	3,590	-	247,154,945
Advances - non-performing	-	-	1,647,085	6,662,382	-	-	-	8,309,467
Advances - Provisions - net	-	-	(527,295)	(2,629,000)	-	-	-	(3,156,295)
Others	-	-	94,922,353	157,068,565	313,609	3,590	-	252,308,117
Others	-	2,622,494	1,690,642	2,587,220	1,793,770	771,566	14,139,676	23,605,368
<b>Total Assets</b>	-	177,631,687	245,929,252	159,655,785	3,275,808	2,476,484	20,696,409	609,665,425
Borrowings	-	80,051,504	4,290,751	12,216,408	-	-	-	96,558,663
Subordinated debt	-	7,496,800	-	-	-	-	-	7,496,800
Deposits & other accounts	-	-	231,253,106	88,553,746	-	-	-	319,806,852
Net inter segment borrowing	-	91,475,842	-	57,648,336	-	-	-	149,124,178
Others	-	556,272	8,833,219	1,237,296	2,231,649	302,289	5,079,388	18,240,113
<b>Total Liabilities</b>	-	179,580,418	244,377,076	159,655,786	2,231,649	302,289	5,079,388	591,226,606
Equity	-	-	-	-	-	-	18,438,819	18,438,819
<b>Total Equity &amp; Liabilities</b>	-	179,580,418	244,377,076	159,655,786	2,231,649	302,289	23,518,207	609,665,425
Contingencies & Commitments	-	43,239,446	34,959,767	21,114,506	1,527,737	-	143,933	100,985,389

# Notes to the Consolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

**RELATED PARTY TRANSACTIONS**  
 The Bank has related party relationship with its associates, parent, companies having common directors, companies in which parent holds more than 20% shares, employee benefit plans, and its key management personnel (including their contributions). The details of investments in subsidiaries and associates are stated in note 10.2.10 to these consolidated financial statements.

Contributions to the accounts in respect of staff retirement benefits are made in accordance with terms of the contribution plans. Remuneration of the key management personnel are in accordance with the terms of their employment. Other transactions are carried out as per agreed terms.

The details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these unconsolidated financial statements are as follows:

	As at June 30, 2019 (unaudited)				As at December 31, 2018 (Audited)			
	Parent	Directors	Key management personnel	Other related parties	Parent	Directors	Key management personnel	Other related parties
	Rupees in '000							
<b>Lendings to financial institutions</b>								
Opening balance	-	-	-	-	-	-	-	-
Addition during the year	-	-	-	-	-	-	-	1,600,000
Repaid during the year	-	-	-	-	-	-	-	(1,600,000)
Transfer in / (out) - net	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-	-
<b>Investments</b>								
Opening balance	20,250	-	180,000	3,230,125	14,307	-	-	3,245,682
Investment made during the period / year	-	-	48,972	1,532,428	24,000	-	-	2,507,383
Investment redeemed / disposed off during the period / year	(5,250)	-	-	(655,276)	(16,057)	-	180,000	(2,522,930)
Transfer in / (out) - net	-	-	-	-	-	-	-	-
Closing balance	15,000	-	228,972	3,907,277	20,250	-	180,000	3,230,125
Provision for diminution in value of investments	-	-	-	65,022	-	-	-	65,022
<b>Advances</b>								
Opening balance	-	7,223	448,575	2,821,605	-	5,505	394,773	2,114,685
Addition during the period / year	-	5,104	26,930	4,729,424	-	26,921	297,001	6,894,300
Repaid during the period / year	-	(10,605)	(60,998)	(5,942,119)	-	(25,203)	(259,373)	(6,951,154)
Transfer in / (out) - net	-	-	(9,552)	146,334	-	16,174	-	163,764
Closing balance	-	1,722	404,955	2,349,244	-	7,223	448,575	2,821,605
<b>Fixed Assets</b>								
Purchase of vehicle	-	-	-	-	-	-	7,223	-
Cost of disposal	-	-	-	-	-	-	4,546	-
Accumulated depreciation or disposal	-	-	-	-	-	-	(3,677)	-
MDV of disposal	-	-	-	-	-	-	689	-
<b>Other Assets</b>								
Interest mark-up accrued	583	199	315	76,082	618	241	612	72,735
Receivable against bancassurance / bancatakalif	-	-	-	26,192	-	-	-	74,935
Trade receivable from brokerage and advisory business - net	-	120	-	1,826	199,088	99	-	127,200
Advance for subscription of TFC - unsecured	-	-	40,828	-	-	-	-	-
Acceptances	-	-	-	2,499	-	-	-	-
Prepaid insurance	-	-	-	97,806	-	-	-	3,468
Other receivable	314	-	-	9,520	258	-	-	8,611
Provision against other assets	-	-	-	2,438	-	-	-	2,438
<b>Borrowings</b>								
Opening balance	-	-	-	4,800,000	-	-	-	4,000,000
Borrowings during the period / year	-	-	-	164,652,517	-	-	-	280,650,000
Settled during the period / year	-	-	-	(165,358,411)	-	-	-	(280,650,000)
Closing balance	-	-	-	3,995,106	-	-	-	4,280,000





# Notes to the Consolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

	(Un-audited) June 30, 2019	(Audited) December 31, 2018
----- Rupees in '000 -----		
<b>37. CAPITAL ADEQUACY, LEVERAGE RATIO &amp; LIQUIDITY REQUIREMENTS</b>		
<b>Minimum Capital Requirement (MCR):</b>		
Paid-up capital (net of losses)	<u>10,119,242</u>	<u>10,119,242</u>
<b>Capital Adequacy Ratio (CAR):</b>		
Eligible Common Equity Tier 1 (CET 1) Capital	<u>15,467,299</u>	15,179,478
Eligible Additional Tier 1 (ADT 1) Capital	<u>2,355,795</u>	2,332,784
Total Eligible Tier 1 Capital	<u>17,823,094</u>	17,512,262
Eligible Tier 2 Capital	<u>4,396,442</u>	4,678,095
Total Eligible Capital (Tier 1 + Tier 2)	<u>22,219,535</u>	22,190,357
<b>Risk Weighted Assets (RWAs):</b>		
Credit Risk	<u>147,246,366</u>	147,074,100
Market Risk	<u>4,684,478</u>	6,442,937
Operational Risk	<u>19,783,433</u>	19,783,433
Total	<u>171,714,277</u>	173,300,470
Common Equity Tier 1 Capital Adequacy ratio	<u>9.01%</u>	8.76%
Tier 1 Capital Adequacy Ratio	<u>10.38%</u>	10.11%
Total Capital Adequacy Ratio	<u>12.94%</u>	12.80%
<b>Leverage Ratio (LR):</b>		
Eligible Tier-1 Capital	<u>17,823,094</u>	17,512,262
Total Exposures	<u>521,559,086</u>	523,980,031
Leverage Ratio	<u>3.42%</u>	3.34%
<b>Liquidity Coverage Ratio (LCR):</b>		
Total High Quality Liquid Assets	<u>65,634,767</u>	55,404,403
Total Net Cash Outflow	<u>57,758,920</u>	52,473,282
Liquidity Coverage Ratio	<u>114%</u>	106%
<b>Net Stable Funding Ratio (NSFR):</b>		
Total Available Stable Funding	<u>302,639,747</u>	298,128,452
Total Required Stable Funding	<u>281,516,420</u>	280,794,715
Net Stable Funding Ratio	<u>108%</u>	106%

## 38. GENERAL

- 38.1 These consolidated condensed interim financial statements have been prepared in accordance with the revised format for financial statements of Banks issued by the SBP through BPRD Circular no. 5 dated March 22, 2019.

# Notes to the Consolidated Condensed Interim Financial Statements

For the half year ended June 30, 2019

38.2 The figures in the consolidated condensed interim financial statements have been rounded off to the nearest thousand.

## 39. RECLASSIFICATION

Corresponding figures have been reclassified to reflect more appropriate presentation in these consolidated condensed interim financial statements as follows:

From	Rupees in '000	To
<b>Statement of Financial Position</b>		
Liabilities against assets subject to finance lease	46,422	Other liabilities
<b>Profit And Loss Account</b>		
Operating expenses	1,386	Mark-up / return / interest expensed

## 40. DATE OF AUTHORISATION FOR ISSUE

These consolidated condensed interim financial statements were authorized for issue by the Board of Directors of the Holding Company in their meeting held on August 27, 2019.

\_\_\_\_\_  
President and  
Chief Executive Officer

\_\_\_\_\_  
Chief Financial  
Officer

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

\_\_\_\_\_  
Chairman







Shaheen Commercial Complex, Dr. Ziauddin Ahmed  
Road, P.O Box 4847, Karachi-74200, Pakistan.  
UAN: +92-21-111 JS BANK (572-265)